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Quotes Of The Month

"We absolutely cannot commit an historic error over land problems... Some places are unlawfully occupying farmers' land and not offering reasonable economic compensation and arrangements for livelihoods, and this is sparking mass incidents in the countryside." ~ Chinese Premier, **Wen Jiabao**, commenting on China's growing social unrest. The government announced that the number of "public order disturbances" in 2005 had reached 87,000. Premier Wen's remark underscores Beijing's rising concern over unstable conditions particularly in the countryside, where at least two of every three Chinese reside, while corrupt local authorities often ignore orders from the central government.

Source: BBC, January 20, 2006

Trivia Question

How many Internet users were in China in 2005? (cont pg 3)

FEATURE ESSAY

Sino-U.S. Relations: Drawing Lessons from 2005

BY BONNIE GLASER

For observers of Sino-American relations, 2005 may be remembered as the year that President George W. Bush and his cabinet began to refer to the bilateral relationship as "complex." The description is accurate, but it is an evident retreat from the high-water mark announced by former Secretary of State Colin Powell only two years prior when he said relations were the best since President Nixon's visit to China in 1972.

To some extent, the revised U.S. assessment can be attributed to the dissipating impact of the war on terrorism that provided a boost for Sino-U.S. ties in the wake of 9/11. But other forces are also at work. China's rapid economic rise and global political reach are posing new challenges, along with opportunities, for U.S. interests. Uncertainty about China's ambitions has created fissures in the Bush administration, Congress, and American society about how to respond.

Strategic mistrust is mutual. The Chinese suspect that the U.S. will seek to hamper China's efforts to accumulate greater comprehensive national strength and inhibit its rise to world power status. Yet leaders of both countries increasingly recognize the dangers of mismanaging their inevitable competition. The past year witnessed frequent high-level interaction and the inauguration of a senior dialogue aimed at defusing tensions, eliminating misperceptions, promoting cooperation, and preventing the relationship from drifting toward strategic antagonism.

At the beginning of the new year, we should take stock of developments in 2005 and draw lessons for the future:

(cont pg 2)

In The News

BEIJING Direct passenger flights between the Chinese mainland and Taiwan have begun for a limited period during the 2006 Chinese New Year holiday. Both mainland and Taiwanese airlines are offering services connecting Taipei and Kaohsiung in Taiwan with Shanghai, Beijing, Guangzhou and Xiamen on the mainland. In total, there are 12 companies operating 72 round trips this year, as compared with 48 round trips in 2005. In all, the non-stop chartered flights will only be for the period between now and mid-February. The Mainland and Taiwan first agreed to offer such services in 2005, but they were limited to Taiwan businessmen and their relatives living on the mainland. This year, all Taiwan residents are eligible for the services.

BEIJING North Korean leader Kim Jong Il held talks with Chinese President Hu Jintao before completing his eight-day visit to China on January 18. During their talks, both sides reiterated their commitment to the six-party talks, but offered no tangible sign that the stalled negotiation would resume soon. China drew an official veil over most of Kim's trip in spite of widespread foreign news reports of his whereabouts. During his stay in China, Kim visited central China's Hubei Province, southern China's Guangdong Province—China's export-oriented economic powerhouse—and Beijing. His focus on China's booming economy raised expectations that Kim might plan to undertake a new round of economic liberalization in North Korea.

- Differences over Taiwan can be managed, but doing so requires attentive U.S. engagement with both sides of the Strait and a firm and consistent U.S. policy on cross-Strait issues. Although Washington was not successful in persuading Beijing to reverse its decision to pass the Anti-Secession Law, close consultations helped result in textual changes, such as the omission of “one country, two systems,” that would have further aggravated China-Taiwan relations.
- North Korea’s nuclear weapons pose a major test for whether the U.S. and China can cooperate on a security issue that is critical to both countries and where their interests overlap but do not completely coincide. In September 2005, a small step forward was achieved with the signing of a Joint Statement of principles that was drafted by Beijing. There has been no further progress. Many in China increasingly doubt U.S. intentions to negotiate in good faith and some in the United States criticize Beijing for its refusal to use its leverage over North Korea to obtain greater cooperation. The coming year will be critical for the North Korean nuclear issue, with far-reaching ramifications for Sino-U.S. relations.
- Presidential summits are important opportunities to strengthen bilateral ties, but they aren’t a panacea, and sometimes they disappoint. Despite efforts by both sides to lower expectations prior to President Bush’s November summit with Hu Jintao, the visit was nonetheless roundly criticized for producing relatively few tangible results. With President Hu scheduled to visit the United States in April 2006, greater effort should go into ensuring that there are substantial results that will help advance the relationship.
- The Senior Dialogue launched by the U.S. and China in August 2005 has so far mostly been a conceptual discussion about the international system and the definition of a “responsible stakeholder.” Perspectives and policies toward key regions have also been exchanged. Future rounds provide an opportunity to boost cooperation at the operational level. Iran will be a test case of whether Beijing defines its interests narrowly in terms of energy needs and short-term political and economic gains, or in a broader context of major power cooperation over non-proliferation concerns and strengthened international norms.
- The development of ties between the U.S. and Chinese militaries helps reduce strategic misperceptions as well as understand each other’s threat perceptions and policies. The visit by Secretary of Defense Donald Rumsfeld to China in October 2005 hopefully signifies the readiness of both militaries to engage in more meaningful dialogue, exchanges, and confidence building measures. U.S.-Chinese strategic mistrust will not be significantly abated in the absence of a substantive military relationship.
- Economic matters have become an increasing bone of contention in US-China relations and are inextricably linked to the political relationship. Rhetorical pledges by the Chinese during the Bush-Hu November summit to “unswervingly” press ahead with currency reform, “step up its protection of intellectual property rights,” and narrow the trade deficit were deemed inadequate by many American experts. These issues will plague the relationship in 2006 and beyond and need to be dealt with head on.
- If the U.S. hopes to convince China to adopt fair trading practices, Washington will have to practice what it preaches. Congressional pressure on the Chinese National Offshore Oil Corporation (CNOOC) to withdraw its bid to acquire Unocal in the summer of 2005 set a bad precedent and was contrary to U.S. commitments to free markets, free trade, and upholding international rules. China will inevitably develop internationally competitive companies and a policy that denies China access to U.S. markets, except in extreme cases where U.S. national security is threatened, will undermine U.S. interests.
- A perception in the United States that China is seeking to expel the U.S. from Asia will exacerbate suspicions about China’s intentions and reinforce the view that China poses a threat to American interests. Beijing’s support for the Shanghai Cooperation Organization joint statement in July 2005 calling for setting a deadline for the withdrawal of foreign troops from its member states had such an effect. The December East Asia Summit similarly prompted U.S. doubts about Chinese leaders’ statements that welcome the U.S. presence and role in the region.

If China’s economic development continues on its current trajectory, the United States and China are destined to be great power competitors. Neither war nor strategic confrontation between our two countries is unavoidable, however. Effective management of differing interests in both the security and economic realms will require sustained attention in 2006 and beyond. Opportunities for frank dialogue that can build greater confidence in the other side’s strategic intentions should be fully utilized, including future rounds of the biannual Senior Dialogue and the annual Defense Consultative Talks. Preparations for Hu Jintao’s upcoming April summit with President Bush should focus primarily on substance, rather than protocol, and maximize the time that the two leaders can spend exchanging views in-depth, preferably in an informal setting. There is much to be accomplished in Sino-U.S. relations and precious little time to waste.

Bonnie Glaser is a senior associate at CSIS in Washington, D.C., and also a senior associate with Pacific Forum CSIS in Honolulu, Hawaii.

PUBLICATIONS

"Democracy Agenda May Revive U.S. Interest in Hong Kong", Hong Kong Journal, January 1, 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Intern, Freeman Chair in China Studies, CSIS

Gill and Huang note that after the 1997 reversion of Hong Kong to China, Washington's interest in the former British colony has been uneven at best and steadily lagging at worst. However, this lagging attention may be turning around, especially in light of George W. Bush's second-term focus on democratization around the world. Renewed attention to Hong Kong should be welcomed and sustained, while it should also be broadened to recognize Hong Kong's importance to U.S. interests extends beyond the democracy issue alone. Washington should not lose sight of the broader interests the United States has in Hong Kong, including counterterrorism efforts, maintaining a pro-market economic and trade system, intellectual property rights protection, and other critical issues.

Global Risk Outlook 2006. Exclusive Analysis Limited, London: 2005

London-based Exclusive Analysis has published the Global Risk Outlook 2006, which assesses the global risk landscape and plots key risks and opportunities by regions. **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, is a contributing author to this publication.

"More Strait Talk: Ten Years after the Taiwan Missile Crisis", China Brief, Jamestown Foundation, October 25, 2005

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Intern, Freeman Chair in China Studies, CSIS

Gill and Huang examine cross-Strait relations since the Taiwan missile crisis in 1995. They observe that in the past decade Beijing and Taipei have indefinitely suspended the dialogue initiated in the early 1990s on basic functional issues, such as repatriation operations and counter-smuggling. Gill and Huang argue that today the questions of maritime safety and illegal activities in the Taiwan Strait call for closer cooperation between the two sides. It is in the best interest of Beijing and Taipei to engage in constructive dialogue on simple, functional, and non-contentious issues.

CONFERENCES AND EVENTS

December 2 *Meeting with Chinese Think-Tank Delegation*

The Freeman Chair hosted a visiting Chinese think-tank delegation, led by the China Institute of International Studies (CIIS). A group of experts from CSIS had a roundtable discussion with Chinese colleagues on the U.S.-China senior dialogue held at the State Department and on U.S.-China relations more broadly. For more information on this event, please contact Savina Rupani at srupani@csis.org.

WHAT'S NEW

We would like to welcome our spring semester interns **Chin-Hao Huang**, **Xianfang Ren**, **Catherine Truong** and **Jin Yan** to the Freeman Chair. Chin-Hao has interned with the Freeman Chair in the past two semesters, and continues to work with us on a part-time basis this spring while finishing his undergraduate degree at the School of Foreign Service at Georgetown University. Xianfang is a second year graduate student at the Elliott School of International Affairs at the George Washington University, and expects to get an M.A. in international affairs in May 2006. She also has a B.A. in English from Sichuan International Studies University and a B.A. in international journalism from China School of Journalism in China. She worked for *Beijing Review*, China's leading English news weekly. Catherine holds a B.A. in International Relations and East Asian Languages and Cultures from Beloit College, and just received a graduate certificate from the Asia Pacific Leadership Program at the East West Center in Hawaii. Jin received her M.A. from the University of Chicago in August 2005. She previously worked with China Central Television and the Beijing Organizing Committee for the 29th Olympiad.

TRIVIA ANSWER

According to a survey released by the China Internet Network Information Center, the number of Internet users in China, the world's second-largest Internet market, grew by 18 percent in 2005 to 111 million. About 8.5% of the country's 1.3 billion people now have access to the Internet. The 2005 gains were higher than those in 2004, when the number of Internet users grew 16% to 94 million.

Source: *"In China, 111 million Net users counted"*, Reuters, January 18, 2006

PUBLICATIONS FROM THE FREEMAN CHAIR 2005*

* Please visit our website to access archived publications dating back to 2002.

November

"China's Evolving Regional Security Strategy", Power Shift: China and Asia's New Dynamics. California: 2005.

By **Bates Gill**, Freeman Chair in China Studies, CSIS

"More Strait Talk: Ten Years after the Taiwan Missile Crisis", China Brief, Jamestown Foundation, October 25, 2005

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Researcher, Freeman Chair in China Studies, CSIS

October

"China's Soft Power in Africa: From the 'Beijing Consensus' to Health Diplomacy", China Brief, Jamestown Foundation, October 13, 2005

By **Drew Thompson**, Assistant Director of the Freeman Chair in China Studies, CSIS

"Injecting and Infecting: Stigma and Zero Tolerance in China", Global AIDSLink, September/October 2005 - #93

By **Drew Thompson**, Assistant Director of the Freeman Chair in China Studies, CSIS

[Chinese Translation is available online.]

"Taiwan: When No News is Good News", Asia Times, October 8, 2005

By **Chin-Hao Huang**, Research Intern, Freeman Chair in China Studies, CSIS

September

"Diverging Paths Hurt U.S. and Europe", International Herald Tribune, September 6, 2005

By **Bates Gill**, Freeman Chair in China Studies and **Robin Niblett**, Director of Europe Program, CSIS

August

"China's Emerging Interests in Africa: Opportunities and Challenges for Africa and the United States", African Renaissance Journal, July/August 2005

By **Drew Thompson**, Assistant Director, Freeman Chair in China Studies, CSIS

"Bringing China Closer to the Market", Asia Times, August 02, 2005

By **Dag Detter**, founder and director of Detter & Co., and former Director of the Division for State Owned Companies of the Ministry of Industry in Sweden, and **Sue Anne Tay**, Research Assistant, Freeman Chair in China Studies, CSIS

July

"China's Asset Management Companies a Liability", Asia Times, July 7, 2005

By **Sue Anne Tay**, Research Assistant, Freeman Chair in China Studies, CSIS

"The 'People's War' Against Drugs and HIV/AIDS", China Brief, Jamestown Foundation, June 21, 2005

By **Drew Thompson**, Assistant Director, Freeman Chair in China Studies, CSIS

"China Confronts HIV/AIDS", Population Reference Bureau, June 2005

By **Drew Thompson**, Assistant Director, Freeman Chair in China Studies, CSIS

June

"China's Evolving Approach to Counterterrorism", Harvard Asia Quarterly, Winter/Spring 2005

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS

May

"Beijing's Participation in UN Peacekeeping Operations", China Brief, Jamestown Foundation, May 10 2005

By **Drew Thompson**, Assistant Director, Freeman Chair in China Studies, CSIS

April

"China and India: Rivals or Partners?", Far East Economic Review, April 2005

By **Pramit Mitra**, Research Associate, South Asia Program, CSIS and **Drew Thompson**, Assistant Director, Freeman Chair in China Studies, CSIS

FREEMAN FACTS:

China's 2005 Foreign Trade

1. China's General Administration of Customs reported that China's trade surplus hit USD 101.9 billion in 2005, which more than tripled from the previous year's USD 32 billion.
2. In 2005, China's exports rose 28% from 2004 to USD 762 billion, while imports rose 18% to USD 660 billion.
3. China's total foreign trade in 2005 topped USD 1.4 trillion, making China the world's third-largest foreign trader, after the United States and Germany.
4. According to the Chinese customs service, China's two-way trade with the U.S. surged 23% to USD 211.63 billion in 2005. The European Union was China's largest trading partner, with two-way trade increasing 23% to USD 217.31 billion.

Sources: The New York Times, The Wall Street Journal

The *Freeman Report* is an electronic newsletter produced monthly by the Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), a private, tax exempt institution focusing on international public policy issues. Its research is non-partisan and nonproprietary. CSIS does not take specific policy positions; accordingly, all views, positions, and conclusions expressed in this publication should be understood to be those of the author(s).

Center for Strategic and International Studies 2005

THE FREEMAN CHAIR IN CHINA STUDIES

Bates Gill, Freeman Chair in China Studies

Savina Rupani, Special Assistant to the Freeman Chair and Program Coordinator

Xiaoqing Lu, Research Associate

Melissa Murphy, Research Associate

Chin-Hao Huang, Xianfang Ren, Catherine Truong, & Jin Yan, Research Interns

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The *Freeman Chair in China Studies* was established at the Center for Strategic and International Studies in 1994 to advance the study of China and to promote understanding between the United States and the countries of the Asia Pacific region. The Freeman Family—Luther Freeman as a clergyman, Mansfield Freeman as a scholar-business leader, and Houghton Freeman as a corporate executive in a global enterprise—have established a tradition of contributing to international understanding through practical experience in East Asia and China.

The United States has a long-standing relationship with China and the countries of East Asia, which play increasingly important roles in future international economics, politics, culture, and security. In the diplomatic, public policy, business, and government fields, the peoples of both China and the United States will benefit from greater mutual appreciation and understanding through broadly based international exchange.

The Freeman Chair's active policy-oriented agenda is dedicated to delivering informed public policy debates, expert briefings, and strategic policy recommendations on Greater China and East Asia to the diplomatic, policymaking, business, and government arenas.

Current research projects

- China's domestic challenges and their consequences for U.S.-China relations and U.S. strategic interests
- The emergence of Chinese civil society and nongovernmental organizations
- China's HIV/AIDS crisis and its implications for U.S.-China relations
- Examining the economic, trade, and financial tensions in U.S.-China relations
- China's relations with key regions—including Central Asia, Europe, and Africa—and their implications for the United States
- China's military modernization and its impact on regional security
- U.S.-China-Taiwan relations

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