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## Quotes Of The Month

"We are extremely dissatisfied with the slow and disappointing pace of reform of the Chinese exchange rate system." ~ U.S. Treasury Secretary, **John Snow**, briefing on the latest semiannual report by the Treasury Department to Congress on currency matters. The report expressed U.S. frustration with the slow appreciation of the Chinese currency, but refrained from branding China as a currency manipulator. The Treasury, Secretary Snow said, "is unable to conclude that China's intent has been to manage its exchange rate regime for the purpose of gaining unfair competitive advantage in international trade."

Source: Washington Post, May 11, 2006

## Trivia Question

How many bloggers are in China? (cont pg 3)

## FEATURE ESSAY

### Engaging China's New Society

BY CAROL LEE HAMRIN

U.S.-China relations under Presidents George W. Bush and Hu Jintao have settled into a pragmatic period of cooperation, tacitly acknowledging the mutual need to avoid bilateral crises and focus on common interests. American domestic and congressional concern about Chinese human rights abuses has been less politicized with the establishment of new monitoring and dialogue mechanisms.

However, the United States may be missing a strategic opportunity to expand bilateral programming to help develop a healthy Chinese third sector. The complex changes under way at the grassroots level in China, especially in the roles of indigenous and international nongovernmental organizations (NGOs), merit closer attention in Washington as China enters a period of authoritarian populist politics and "money politics." It is in our interest to see a healthy society in China. The alternative is growing bilateral friction over religious and other human rights abuses, or worse, social and economic instability in China affecting the whole region and beyond.

#### *The Dynamics of Third Sector Growth*

Since 2000, China's intensified market reform program has brought about a new level of transnational integration that reshapes its society. Between now and 2020, China will become a more pluralistic and open urban society, with more than 50 percent of the population living in cities and with a middle class numbering more than 500 million.

The proliferation of new types of nonprofit and nongovernmental third sector organizations (TSOs), a broad definition now favored by Chinese researchers, is forcing constant redefinition, reclassification and re-thinking. TSOs total at least three million, according to Tsinghua University's Center for the Study of NGOs. The estimate goes up to 8 million if those exempt from registration are included, such as special associations that are directly managed by the government or the Party. The growing demand for services from this wide variety of TSOs has reshaped the third sector, which now welcomes not only foreign funding, but also foreign participation and training. (cont pg 2)

## In The News

**WASHINGTON** President Hu Jintao met with President George W. Bush to discuss U.S.-China relations, an issue that is of great importance to both sides but clouded by differences on trade, human rights and the status of Taiwan. While President Hu did not give any ground on North Korea or Iran, some progress was made on economic and trade issues. President Hu followed his trip to the United States with visits to Saudi Arabia and several African countries, where securing energy supplies for China's power-hungry economy topped the agenda. In Saudi Arabia, an agreement was signed between China's Sinopec and Saudi Aramco to increase cooperation in gas and oil exploration. President Hu's "energy safari" to the African continent, including Nigeria, Kenya, and Morocco, also resulted in a series of deals in pursuit of China's aggressive energy diversification policy.

**BEIJING** Following President Hu's visit to the United States, where he pledged to strengthen the protection of intellectual property rights (IPR), China's State Council issued an action plan to combat IPR violations over the next two years. The plan focuses on improving the legal, administrative and judicial framework to protect IPR, and lists copyright piracy, trademark and patent infringements as top priorities. Although the plan highlighted Beijing's determination to protect IPR, China's poor enforcement and local protectionism are obstacles to the success of the campaign.

Still, TSOs struggle under the onerous management mechanism of registration hurdles, fundraising restrictions, and close state supervision. As a result, only about 300,000 TSOs are registered with the civil affairs authorities. Thousands more, especially at the grassroots level, are either registered in other categories, such as business enterprises or research institutes, or not registered at all, a status that is technically "illegal" but practically tolerated.

#### *New Focus on Governance and Development of the Third Sector*

During the 1990s, governmental interest in TSOs was primarily to ensure that they were neither political nor adversarial. By the end of the decade, as policy-makers began to seek solutions to growing socioeconomic problems, some saw TSOs as part of the answer. Others, who remained skeptical due to financial scandals among sectoral leaders and the rise of spiritual sects, called for "regularization" of the third sector.

Since 2003, the Chinese leadership has gradually adopted a "sustainable development strategy" that promotes social development and environmental protection. This launched a wave of research, opinion surveys and public discussion of ways to address social problems with a goal of creating a "harmonious socialist society" by 2020, based on a mature market economy and prosperous civil society. China's first international conference on philanthropy in Beijing in November 2005 demonstrated the progress in the third sector. In short, the social contract appears to be a matter of growing contention in China. How the political elite manages its complex and fluid relations with social groups, as they seek to address rapidly growing social tensions, is probably the most important challenge facing China's leadership.

#### *The U.S. Connection*

The emerging Chinese civic sector, like the economic sector, responds increasingly to market and international forces, as opposed to just state policy. Over 300 international NGOs, including many U.S.-based ones, are key players in China's third sector. These organizations have contributed to China's economic and social development with funding of about USD 200 million per year, modeling, training and practical experience for their Chinese staff.

Many international humanitarian NGOs, including faith-based organizations, provide disaster relief and support micro-loan projects and holistic community development. The Salvation Army, World Vision International, and the U.K.-based Oxfam, are among the largest. The Asia Foundation and the Ford Foundation support projects in law and governance, third sector networking, migrant and worker rights awareness, and capacity building for grassroots TSOs in the poor interior. Their Beijing offices had annual budgets of over USD 4 million and 9 million respectively by 2004.

#### *Policy Conundrums*

The Chinese government without a doubt will continue to need outside ideas and assistance. Yet, in response to the "color revolutions" of Eastern Europe and Central Asia, Beijing decided in late 2005 to reduce rather than expand the sector, especially concerning foreign involvement. Trends in Russia and other former Soviet countries are reinforcing this mindset.

U.S. policy needs to seriously consider the downside of promoting democracy based on a Western adversarial model that responds to the mentality and work style of Western advocacy NGOs. It does not always suit the general preference in China for a collaborative "win-win-win" relationship involving the state, business and NGOs.

Rather than a limited focus on short-term efforts to promote democracy, human rights and rule-of-law in China, the U.S. government should expand its work to proactively support long-term social progress through bilateral agreements on programming to strengthen the role of China's TSOs. U.S.-China environmental cooperation has helped encourage a more favorable attitude toward environmental NGOs in China. Logical counterparts to discuss charitable and public benefit NGOs should be the U.S. Department of Health and Human Services and the Chinese Ministry of Civil Affairs. Perhaps the U.S. Department of Homeland Security could also address issues such as disaster preparation and the contribution of NGOs to domestic security together with Chinese counterparts. The bilateral rule-of-law initiative could encompass laws affecting the third sector, including religious organizations.

Beijing's current effort to "rein in" social organizations is likely to be ameliorated by programs which share the unique U.S. experience with voluntary associations. Bilateral relations have already moved into such sensitive arenas as police training for Olympics security. Washington should pursue additional ways to support and engage the thickening web of private social and cultural ties that will introduce new ideas and values, as well as institutional experience and techniques, to promote sociopolitical progress in China.

**Dr. Carol Lee Hamrin is a Chinese affairs consultant and Research Professor at George Mason University in Fairfax, Virginia, as well as a Senior Associate with the Global China Center in Charlottesville, Virginia. Serving 25 years at the Department of State, she became the senior China research specialist and earned the Secretary of State's Career Achievement Award. Some of the themes in this essay were explored in a lengthy article by the author, "Deepening Sino-American Ties at the Grass-roots," *Foreign Service Journal* (82:5, May 2005), pp. 39-46.**

## PUBLICATIONS

*"Sino-American Relations Needs Actions Not Words"*, Financial Times, April 23, 2006

By **Bates Gill**, Freeman Chair in China Studies, and **Michael Green**, Japan Chair and Senior Advisor, CSIS

Gill and Green analyze the outcomes of the recent Bush-Hu summit in Washington. They argue that despite some progress on trade, the two sides were unable to close the gap on important security and political issues. Given these outcomes, the authors lay out a number of actions which should be taken to keep U.S.-China relations moving along a positive track. In particular, the article argues that Beijing will need to take substantive steps to address mounting U.S. concerns over economic, security and human rights issues.

*China: The Balance Sheet: What the World Needs to Know Now About the Emerging Superpower*. New York: PublicAffairs, 2006

By **C. Fred Bergsten**, Director of IIE, **Bates Gill**, Freeman Chair in China Studies, CSIS, **Nicholas R. Lardy**, Senior Fellow, IIE, and **Derek Mitchell**, Senior Fellow, International Security Program of CSIS

The Center for Strategic and International Studies (CSIS) and the Institute for International Economics (IIE) have launched a joint multi-year project that brings together leading specialists to examine the key questions, uncover the pertinent facts, and analyze the dynamics underpinning China's domestic transformation and emergence as an international power—as well as its implications for the United States and the global community. *China: The Balance Sheet*, the flagship publication of this project, provides the public and policymakers alike with objective and accessible analysis necessary to have an informed debate and intelligent policy response to the challenge of China's rise.

For more information about the book, please check the project website: <http://www.chinabalancesheet.org/>.

[Please click here for book reviews in *The Economist* and *Financial Times*.]

## CONFERENCES AND EVENTS

**May 2**                      *Roundtable on Challenges and Prospects for the Rural Healthcare System in China*

The Freeman Chair in China Studies convened a roundtable discussion on the challenges and prospects for the rural healthcare system in China. The event featured Dr. Wang Hongman, associate professor from the Public Health School of Beijing University, and Dr. Magnus Lindelow, an economist from the Human Development Sector Unit in the East Asia and Pacific Department of the World Bank. Dr. Bates Gill moderated the discussion.

[Please click here for event summary.]

**April 13**                      *Press Briefing: President Hu's Trip to the United States*

Chinese President Hu Jintao arrived in the United States on April 18. His visit had a broad agenda, ranging from copyright protection to North Korea's nuclear program. To help reporters make sense of the issues, CSIS gathered together China experts for a press briefing, which was broadcast on C-SPAN. The event audio and transcript are available online.

[Please click here for more information.]

## TRIVIA ANSWER

**According to a recent report by Tsinghua University, there will be more than 60 million bloggers in China by the end of this year, writing about their life, love, angst and inspirations on the country's cyberspace.** The number of Chinese bloggers is expected to reach 100 million by 2007.

**Source:** *"Chinese bloggers to reach 100 million in 2007"*, Xinhua, May 6, 2006

## PUBLICATIONS FROM THE FREEMAN CHAIR 2005/2006\*

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

### April

"*Finding Strength in Global Adversity*", South China Morning Post, April 1, 2006

By **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Intern, Freeman Chair in China Studies, CSIS

### January

"*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

## 2005

### November

"*China's Evolving Regional Security Strategy*", in David Shambaugh, ed., *Power Shift: China and Asia's New Dynamics*. California: 2005.

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

### October

"*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

"*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

## FREEMAN FACTS:

### China's Africa Ties

1. Of the 53 countries in Africa, 47 countries have diplomatic relations with China, while 6 maintain diplomatic relations with Taiwan.
2. The volume of bilateral trade between China and African nations has quadrupled to reach about USD 37 billion in the past five years.
3. Of an estimated 700 Chinese-funded ventures in Africa, many are in the field of energy and natural resources.
4. China has so far written off approximately USD 1.3 billion in debt owed by 31 African countries.

Sources: BBC, China Daily and Financial Times

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Center for Strategic and International Studies 2005

### THE FREEMAN CHAIR IN CHINA STUDIES

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## About the FREEMAN CHAIR IN CHINA STUDIES

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

To learn more about our program and ongoing research projects, please visit our website at <http://www.csis.org/china/>