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UNITED STATES–CHINA RELATIONS IN THE ERA OF GLOBALIZATION

THURSDAY, MAY 15, 2008

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 2:07 p.m., in room SD–419, Dirksen Senate Office Building, Hon. Joseph R. Biden, Jr. (chairman of the committee) presiding.

Present: Senators Biden, Kerry, Nelson, Cardin, Lugar, Voinovich, Murkowski, and Isakson.

OPENING STATEMENT OF HON. JOSEPH R. BIDEN, JR., U.S. SENATOR FROM DELAWARE

The CHAIRMAN. The hearing will please come to order.

Mr. Secretary, welcome.

Let me, at the outset of this hearing—I want to express my condolences, as I'm sure every American does, to the people of China, who are working to recover from what is a God-awful, devastating earthquake. I keep thinking of this in terms of the tragedy that we went through in Katrina. And, my gosh, I mean, it's just—what's happening in China, and, for that matter, in Myanmar and in Burma, is just—it's just staggering. And at least 20,000 people were reported to have been killed by the quake that struck western China on Monday, and authorities fear the toll could climb higher, as many of the missing are feared dead, buried beneath those collapsed buildings. And our hearts go out to the Chinese people. And I know—and I hope they know that, as the President and the administration and the Congress has said, we stand ready to help in any way we can.

Senators Boxer and Murkowski have drafted a resolution expressing the sympathy of the American people for China during this tragedy, and I—I'm sure, with every member of the committee—join them in expressing what I'm sure are going to be a unanimous view on the floor of the United States Senate.

Good afternoon, Mr. Secretary. Today the Foreign Relations Committee convenes the first in what will be a series of hearings on China. Further hearings will focus on economic relationships, on energy and environment, on China's growing soft power in Asia, Africa, and Latin America, and on China's internal political and economic challenges.

And just last week the Congressional Research Service released a comprehensive study commissioned by us, on the Foreign Relations Committee, that takes stock of China's soft power and its im-

plications for U.S. interests and those of our friends and allies. The study, which is available on our Web site, highlights both the challenges and opportunities of China's reemergence as a great power.

Let me begin by saying I welcome all the witnesses today, but especially the Deputy Secretary of State, John Negroponte, who is no stranger to this committee, a leader of the administration's senior dialogue with China.

There's a view in Washington that the United States and China—a view held by some—that the United States and China are fated to confrontation. In this view, the great struggle of our time will be between liberal democracies like the United States and autocracies like China and Russia. Some liken this struggle to the great ideological battles of the cold war, and they often suggest that cold-war remedies are needed to challenge—to meet the challenges of the 21st century.

But, I believe this view is mistaken. There is a more powerful reality, in my view, that trumps this pessimistic world view. For all of China's emerging power and all of America's great strength, neither of us can solve the problems we both confront without the other. From the spread of weapons to the scarcity of resources, from the threats to our planet to the dislocations in our economies, we have shared interests, and, on most fundamental issues—even as we disagree on other matters, on shared issues we have a profound common interest.

China and the United States may well be destined for competition, which I believe they are, but nothing dictates that we are headed for confrontation, and everything argues that it's in America's national interest to forge an affirmative agenda with China. But, how do we get there? How do we make the most of the opportunities that are inherent in China's rise, while addressing the challenges that accompany China's reemergence as a global power?

The place to start is with—in my view, with intense, sustained, high-level engagement between the United States and China across every issue area. Through engagement over the past 30 years, we've built a common interest and managed problem areas before they've developed into crises. Engagement with China has been a successful approach, encouraging fundamental change in the world's most populous nation. But, engagement alone is not enough. We must complete the process of integrating China into the international system, and push it to adopt laws and policies consistent with international norms.

Two areas, two key areas, merit special attention, in my view: Energy and the environment. China's drive for energy is churning global markets and expanding their presence in Africa and elsewhere, and China is now the single largest source of greenhouse gases, having overtaken the United States for that dubious distinction.

Working with our European and Asian friends and our allies to convince China to address energy security and environmental challenges should be among the very top foreign policy priorities of the next administration. Our approach to China emphasizes integration, but we must be prepared to take China as—we must be prepared if China takes an unexpected radical turn and strives to undermine our vital interests and those of our allies. We not only

need to reinvigorate our existing alliances, but we also need to think about how China should be involved. The six-party talks in North Korea demonstrate the benefit of an inclusive approach to security challenges in East Asia.

But, what kind of power is China? Where is it heading? China is so big and diverse that most anything I could say about it is true—would be true. China is rich; China is very poor. China is strong; China is very weak. It's confident—witness the Olympics; and insecure, as evidenced by the response to the Tibetan unrest.

Over the past 30 years, we've witnessed an incredible transformation in China, starting with an almost 10-percent annual economic growth lifting 400 million people out of poverty. In 1978, China had 300,000 registered private businesses; today it has 30 million private companies. China today has 106 billionaires, ranks third in the world in gross domestic product after the United States and Japan, and is sitting on more than 1.5 trillion in hard currency reserves.

Last year, for the first time since the end of World War II, China contributed more to global economic growth than did the United States. So, today it's accurate to call China a rich country. Or is it? Because China is also a very poor country. For all its impressive growth, China still ranks only 100th in the world in per capita income, about the same as Mali. China still has about 400 million people living on about $2 a day. China faces enormous challenges—an aging population, a degraded environment, a growing social unrest fueled by income inequities and endemic corruption, just to name a few.

And the security picture is mixed, as well. China's spending in defense has grown rapidly. It now spends somewhere between $50–$100 billion on defense, and it's working hard to acquire systems and capability it needs, in its view, to defend its global interests. But, that's still only 15 percent of what we spend on defense. China's force-projection capabilities remain quite modest. It has a few dozen strategic nuclear weapons, to our thousands. And China struggles to attract and retain highly educated soldiers it needs to fight a high-tech war under modern conditions.

The limits of China's military power were evident during the Asia tsunami of December 2004, when it was the United States, in partnership with Japan and Australia, who rallied first and were able to sustain relief efforts thousands of miles from our shore, in China's backyard. And I could say the same about what's going on right now in China, in dealing with the earthquake.

So, the picture is mixed. China is, arguably, the worst—the world's first poor great power, a leading and economic and military power, but also a nation confronting enormous challenges.

It presents, in my view, a unique challenge to U.S. policymakers, and we need to resist trying to plug China neatly into some cold-war paradigm or a 19th-century world view of great power rivalry.

To advise us on how we get this vital relationship right—and I don't think anyone knows for certain—I know I don't—how to build on the opportunities and deal with the challenges, the committee has called on four very able individuals. We'll first hear from Deputy Secretary of State John Negroponte. The committee will then hear from Dr. Richard Haass, president of the Council on Foreign

Relations, and Dr. Kurt Campbell, CEO of The Center for New American Security, and Dr. Harry Harding, a former dean of the Elliott School of International Affairs at G.W., and one of America's leading scholars on China.

So, I welcome you all. I look forward to this testimony. And I'll end where I began. This will be one of only a series of hearings, the opening hearing, which will be more general in its focus than others will be. And we'll have numerous hearings, both at a full committee and subcommittee levels, dealing with specific aspects of China's emergence.

So, I yield now to my colleague, Chairman Lugar.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, U.S. SENATOR FROM INDIANA

Senator LUGAR. Well, Mr. Chairman, I thank you for calling this hearing.

I welcome back to the committee Secretary Negroponte.

Today, as we consider policy toward China, we send our very special thoughts and prayers, as you have mentioned, to the people affected by the devastating earthquake, and we note with sympathy and with high regard the responses of the Chinese Government to meet the needs of the people.

The United States must come to grips with the incredibly complex set of problems, choices, and opportunities that China represents. Clearly, we have sharp differences with the Beijing government on many issues, including human rights, democratization, religious freedom, the protection of intellectual property rights, Chinese currency policy, the safety of Chinese consumer products, the militarization of space, the status of Tibet, matters related to Taiwan, and other issues. Though progress has been made in some areas, most of these issues are unlikely to be resolved in the short run.

In recent years, United States-China ties have advanced on several fronts, including military-to-military relations and cooperation on antiterror initiatives. Beijing has an integral role hosting the six-party talks intended to eliminate North Korea's nuclear weapons program. And this has been a valuable venue for extended dialogue between our diplomats and Northeast Asian counterparts on other items, as well.

Recently, China and Taiwan are interacting on relevant issues in more measured tones. Among other positive steps, I encourage China's acceptance of Taiwan's participating as an observer in the upcoming World Health Assembly of the World Health Organization.

Economically, U.S. exports to China rose by nearly 240 percent from 2001 to 2007, significantly more than exports to any of our other top 10 trading partners. Yet, we are mindful that the annual U.S. trade deficit with China has risen to approximately $256 billion. Many U.S. officials have insisted that China's currency was undervalued in comparison to the United States dollar, making Chinese exports to the United States cheaper, and, consequently, United States exports to China more expensive.

Congressional Research Service reports that, "China is the second largest foreign holder of U.S. Treasury securities, at $487 billion, and, while China's purchases enable the United States Gov-

ernment to finance the budget deficit, helping to keep interest rates low in our country, some have raised concerns that China could destabilize the U.S. economy if it decided to suddenly attempt to sell off its debt holdings."

Also, there is concern that China's establishment of a multibillion sovereign fund may be used to acquire foreign companies, energy companies among them. Beyond your bilateral relationship with China, we must recognize that China's economic emergence is a crucial consideration in finding solutions to global energy, climate, and food.

Unfortunately, the United States debate on contentious issues between our two countries is often oversimplified, parsed out in sound bites, omitting realities of the broader trade and economic interaction. China's rapid economic growth and industrialization are obliterating old ways of thinking about the global economy. We celebrate the rise of hundreds of millions of people out of poverty; yet, our policies have not yet fully comprehended the consequences of that many people eating more meat or driving more cars. China's economic growth depends upon having adequate supplies of energy, and this will lead to increasing scarcity of global energy sources and surging greenhouse gas emissions in the absence of massive deployment of new technologies, such as clean coal, carbon capture and storage, industrial efficiency, alternative fuels, and advanced technology vehicles.

Consider that in 2007 alone, demand for power generation in China expanded by a phenomenal 16 percent. This figure followed a 14-percent increase in demand for power in 2006. The Chinese coal plants that came online in 2006 alone added a net 80 gigawatts of electric generation to the Chinese system, and this amount was roughly equal to the entire electrical capacity of Great Britain. Vehicle sales in China increased by more than 25 percent in 2006 as China passed Japan to become the second largest vehicle market in the world, behind the United States. The 7.2 million vehicles sold in China in 2006 were four and a half times as many as were sold just 9 years earlier.

The resulting demand for transportation fuels has focused the Chinese Government on an aggressive global search for reliable oil supplies. Technological breakthrough that expand energy supplies for billions of people worldwide will be necessary for sustained economic growth. If concerns over climate change are factored into policies, the challenge becomes even greater, because serious efforts to limit carbon could constrain energy options, particularly the use of coal. In the absence of China's participation in revolutionary changes in energy policy, we will be risking multiple hazards for the world that could constrain living standards and leave us highly vulnerable to economic and political disasters with an almost existential impact.

I look forward to our discussion today, as the chairman has pointed out, at the beginning of a number of constructive hearings on China. As—and I asked, and congratulate Chairman Biden that he has asked, Secretary Paulson to testify, and we are hopeful that the Secretary will come forward in exploring the strategic economic dialogue with China as a part of this series.

I thank the chairman.

The CHAIRMAN. Thank you very much.

Thanks for your patience, Mr. Secretary. Welcome, again, and the floor is yours.

STATEMENT OF HON. JOHN D. NEGROPONTE, DEPUTY SECRETARY, DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador NEGROPONTE. Thank you very much, Mr. Chairman, Senator Lugar, members of the committee. Thank you for the opportunity to speak with you today about United States policy toward China.

Today's hearing comes at an opportune moment, since I have just returned from a 2-day visit to Beijing. While there, I met with senior Chinese Government leaders to discuss issues of bilateral and international concern. One of the administration's major foreign policy objectives is to engage with an increasingly influential China to affect choices that Chinese leaders make in ways that serves global stability and United States interests.

China is a permanent member of the U.N. Security Council. It possesses one of the world's largest and most dynamic economies. It is a nuclear power. And it is the seat of a great civilization. United States-China cooperation is in our mutual interest.

Before addressing three important dimensions of United States-China cooperation, I want to express condolences, on behalf of our Government, to the Chinese people for the tragic loss of life from Monday's earthquake in Sichuan province. We have transferred $500,000 to the International Federation of the Red Cross and are exploring ways to make additional assistance available to China through public-private partnerships and other means. Our interest in the immediate welfare of the Chinese people at such a moment is emblematic of our broader commitment to strategic dialogue and cooperation with China as a nation.

Today, I'd like to focus on three vital dimensions of our relations with China: Maintaining peace and stability in Asia; motivating China's positive contributions to global stability; and encouraging China's greater respect for human rights and freedom of expression.

With respect to peace and stability in Asia, we welcome the fact that China has repeatedly reassured its neighbors that its rise is peaceful and will benefit the entire region. This facilitates our efforts to urge China to exercise leadership in addressing regional problems, particularly with regard to the Korean Peninsula and Burma and in pursuing dialogue with Taiwan. We work closely with China on our shared six-party goal of the complete and verifiable denuclearization of the Korean Peninsula. China's leadership as chair and host of the six-party talks has been essential to the progress we have made so far.

We also think the eventual establishment of a framework for peace and security in Northeast Asia would be advantageous for the region as a whole. Such a framework would complement our enduring alliances in Asia. China must, of course, play an important role in any such undertaking.

Burma is a separate regional challenge. The situation in Burma is unstable and unsustainable. We welcome the fact that China has pressed the Burmese regime to cooperate with the international

community in providing humanitarian assistance in the wake of Cyclone Nargis. China has also urged meaningful dialogue between the Burmese regime and the democratic opposition and ethnic minority groups. We want to work with China more to persuade the Burmese regime to move away from its political repression and disastrous economic mismanagement.

Regarding Taiwan, we are encouraged by news of the initial meeting between President Hu Jintao and Taiwan's Vice-President-elect, Vincent Siew. We remain concerned, however, about the PRC's continued military buildup, and have urged the mainland's leaders to show more flexibility in their approach to cross-strait relations. We do not support Taiwan independence. We want cross-strait differences to be resolved peacefully and according to the wishes of the people on both sides of the strait. Nobody should question our resolve in insisting on such a peaceful process.

As China becomes more integrated in international economic and political institutions, its ability to contribute to global stability, the second theme I'd like to address, is growing. Beijing's traditional principle of noninterference is giving way to diplomatic interventions that highlight China's stated ambition: To be seen as a responsible major power.

We have welcomed China's support for a number of U.S. initiatives in the United Nations Security Council. These have included sanctions resolutions against North Korea and Iran, and a hybrid peacekeeping mission for Darfur. China's support for these positions would have been hard to imagine several years ago. At the same time, we continue to encourage China to take into consideration the full impact of its diplomatic and trade policies, particularly in areas of instability and civil unrest, like Sudan.

I would like to conclude by speaking about the Chinese Government's respect for human rights and freedom of expression. Our position is clear, grounded in our national values and national experience. We believe the expansion of individual freedoms and greater political liberalization is not only the right and just path, it is also the best way for China to achieve long-term stability. This is especially true as China pursues national modernization that will inevitably be accompanied by unpredictable social changes.

We, therefore, welcome the recent meeting between Chinese officials and representatives of the Dalai Lama. Such dialogue is the best hope to address longstanding grievances and promote prosperity in Tibetan areas. And we have urged China to use the Olympics as an opportunity to show greater openness and tolerance, and to increase access to information and expand press freedoms. China will earn the international respect it seeks by guaranteeing all of its citizens' internationally recognized rights.

Mr. Chairman, our approach to building cooperation with China and influencing the choices its leaders make about its role in the world is, as you said earlier, a long-term proposition. China is an emerging great power with enormous potential to enhance prospects for peace, stability, prosperity, and human freedom in Asia and around the world. In recent years, we have made some progress in our relations with China, and I would say that the trend lines are positive. But, respect, perseverance, and patience will be permanent requirements for both sides as we seek to endow

our bilateral relationship with greater solidity, depth, and capacity for constructive cooperation.

Thank you, again, for inviting me to testify on this important topic, and I would welcome your comments and questions.

Thank you.

[The prepared statement of Ambassador Negroponte follows:]

PREPARED STATEMENT OF HON. JOHN D NEGROPONTE, DEPUTY SECRETARY, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. Chairman, Senator Lugar, and members of the committee, thank you for the opportunity to address U.S. policy toward China.

I just returned from a 2-day visit to Beijing, where I met with senior Chinese Government leaders to discuss issues of bilateral and international concern. Both we in the administration and our Chinese interlocutors are keenly aware of the spotlight focused on China during these final 3 months before the Olympic Games commence in Beijing on August 8. We continue to express our support to the Chinese people for a successful Olympic Games. At the same time, we emphasize to Chinese leaders the importance of making progress on issues that matter to the American people.

These issues span the subjects of global security, human rights, the environment and trade. In some areas we have been able to develop common approaches with the Chinese; in others we remain far apart. That there exist substantial policy differences should come as no surprise, given the two countries' very different demographic and economic conditions, histories, and political systems. Nonetheless, our constant objective is to engage with an increasingly influential China to shape the current and future choices that Chinese leaders make in ways that serve global stability and U.S. interests. China is, after all, a permanent member of the U.N. Security Council. It possesses one of the world's largest and most dynamic economies. It is a nuclear power, and it is the seat of a great civilization. United States-China strategic cooperation is in our mutual interest.

I would like to address three dimensions of our engagement with China that are central to our relationship: Maintaining peace and stability in Asia; motivating China's positive contributions to global stability, and encouraging China's greater respect for human rights and freedom of expression.

I will not speak about trade, energy, and the environment, other than to say that they are key topics of our government's engagement with the Chinese and that such engagement has produced positive results.

We have discussions with China in over 50 dialogues at all levels. We believe that this extensive consultative framework will help us ensure progress in our cooperation with China in the years ahead.

PEACE AND STABILITY IN ASIA

A major priority in our engagement with China is the maintenance of peace and stability in Asia. The United States is a Pacific power, and the stability and economic dynamism of Asia has been essential to the health and growth of our economy over the past 20 years.

While China grows as a regional power, its leaders are at pains to reassure its neighbors that its rise is a peaceful one and that a prosperous China will benefit the entire region. Beijing also acknowledges the benefits of the U.S. presence and recognizes that a diminished U.S. profile would make its neighbors nervous. Our task is to challenge China to exercise real leadership in solving problems in the region. We encourage China to reach out to its neighbors in a peaceful and constructive way. At the same time, we remain deeply committed to our alliances and maintain an active U.S. security presence in Asia. A robust U.S. presence in Asia, undergirded by our strong alliances, has been a guarantor of the regional stability that has created the conditions for Asia's emergence as a major engine for global economic growth.

In some areas, China is showing constructive leadership on difficult issues. The United States and China recognize that North Korea's pursuit of nuclear weapons would not benefit the long-term security interests of any party, including the citizens of North Korea. We continue to work closely with China on our shared six-party commitment to achieve the verifiable denuclearization of the Korean Peninsula in a peaceful manner. China's leadership as chair and host of the six-party talks has been essential to the progress we have made in drawing North Korea out from isolation and into constructive dialogue, and we rely on China's active engagement to continue this process. Beijing also joined us in imposing mandatory chapter

VII sanctions against the DPRK in the U.N. Security Council. Our combined efforts benefit international security.

It makes sense to discuss the issue of Taiwan within the context of peace and stability in Asia. With the inauguration of Ma Ying-jeou on May 20 we will have safely navigated a tense period in cross-Strait relations. Our "one China" policy, based firmly on the Three Communiqués and the Taiwan Relations Act, continues to guide our approach to cross-Strait relations. We do not support Taiwan independence and we are opposed to unilateral attempts by either side to change the status quo. We want cross-Strait differences to be resolved peacefully and according to the wishes of the people on both sides of the Strait. Nobody should question our resolve in insisting on such a peaceful process.

We will continue to sell Taiwan defensive arms to maintain the capacity to assist in Taiwan's defense if needed. As you know, this policy fulfills a legal obligation under the Taiwan Relations Act. It also supports our belief that a Taiwan confident and capable of protecting itself will offer the best prospects for a peaceful resolution of cross-Strait differences.

We continue to express concern about the Mainland's ongoing military buildup on its side of the Strait. We view China's buildup as unnecessary and counterproductive. The anxiety it breeds on Taiwan encourages proindependence inclinations that the Mainland's missile deployment purports to deter. Mainland efforts to squeeze Taiwan's diplomatic space also are counterproductive. We do not advocate that Taiwan be allowed membership in international organizations when sovereignty is a requirement. But we should be able to find ways to allow Taiwan to participate meaningfully in the broad range of international activities. For example, Taiwan's participation in the World Health Organization would give it access to vital health information about quickly spreading infectious diseases. That is in everyone's interests.

Taiwan's active democracy is an admirable achievement. As the President noted after Taiwan's Presidential election in March, we view Taiwan as a beacon of democracy to Asia and the world and are confident that the Presidential election in March—and the democratic process it represented—will help advance Taiwan as a prosperous, secure, and well-governed society. It now falls to Taiwan and Beijing to build the essential foundations for peace and stability by pursuing dialogue through all available means and refraining from unilateral steps that would alter the cross-Strait situation. In this context, we were encouraged by news of the initial meeting between President Hu Jintao and Taiwan's Vice-President-elect Vincent Siew at the Bo'ao Forum in China and other positive cross-Strait developments that have taken place since the March election.

Another regional issue we work on with China is Burma. In the wake of Cyclone Nargis, we appreciate China's willingness to press the Burmese regime to cooperate with the international community's efforts to provide humanitarian assistance to the people of Burma. On a broader front, we are trying to persuade our Chinese interlocutors that the Burmese regime's political repression and disastrous economic mismanagement have created a situation that is unstable and unsustainable, and that continuing such misrule will only result in greater turmoil in the future. While we still have work to do on this subject, we note that the Chinese Government has publicly urged meaningful dialogue between the Burmese regime and the democratic opposition and ethnic minority groups in that country. Together, the United States and China have released two U.N. Security Council Presidential Statements on Burma, most recently on May 2.

ENGAGING A GLOBAL CHINA

Over the past several years, we have explored issues with China that go beyond management of our bilateral or even regional relations. This is an innovation and represents important progress. In our discussions with the Chinese, we spend an increasing amount of time considering how to improve coordination of our activities toward third countries or regions of the world. The United States-China Senior Dialogue, which I lead on the U.S. side, has spawned a series of regional and functional subdialogues led by Assistant Secretaries to discuss trends and challenges in every region of the world—this includes talks in the critical areas of nonproliferation and counterterrorism.

We are seeing results from such discussions. For example, China has supported a number of U.S. initiatives in the United Nations Security Council in recent years, including sanctions resolutions against North Korea and Iran. I highlighted our positive engagement with Beijing concerning Burma and North Korea above. Let me also discuss Sudan and Iran, two additional areas where we have seen some positive developments in China's position:

Sudan/Darfur

China's early Darfur policies were aimed at insulating the Sudanese regime from international pressure. In a marked turnaround, China voted in support of U.N. Security Council Resolution (UNSCR) 1769 in July 2007. The UNSCR authorized the deployment of UNAMID, the hybrid United Nations-African Union mission in Darfur, and committed over 300 engineering troops to the mission. We credit this change in part to our senior- and working-level consultations with China's leaders and diplomats, in part to the attention paid to the issue by U.S. lawmakers and nongovernmental organizations, and in part to China's increasing sensitivity to the negative implications of close ties to problematic regimes. China's investments in Sudan's energy sector and military trade provide economic and military lifelines to the repressive regime in Khartoum, so we continue to highlight the need for the Chinese Government to exert pressure commensurate with its influence. Currently, we are urging the Chinese Government to augment its previous commitments by supplying transport equipment essential to a successful UNAMID mission.

Iran

The Chinese Government says that it shares our strategic objective of preventing Iran from acquiring a nuclear weapons capability. After participating in lengthy discussions as a member of the P5+1 process, China voted in favor of U.N. Security Council Resolutions 1737, 1747, and 1803, applying sanctions on Iranian individuals and companies associated with its nuclear weapons and ballistic missile programs. Nonetheless, Chinese companies have expanded their trade and investment links with Iran, particularly in its oil and gas sector. We believe this expansion undermines international efforts to pressure Iran, and sends the wrong signal to the Iranian regime, especially at a time when other oil companies are heeding their governments' wishes to forgo new investments in Iran. We have told our Chinese interlocutors that China's expansion of trade relations with destabilizing a regime as Iran's is not in keeping with its aspirations to play the role of responsible global stakeholder. We also have made it clear that Chinese entities' continued sale of conventional weapons to Iran is unacceptable. China understands our position that Iran presents a grave international and regional security concern, and that our government reserves the right to apply all multilateral, bilateral, and unilateral measures at our disposal to ensure that our concerns are addressed. We reinforce this message at every opportunity.

ENCOURAGING IMPROVEMENTS IN HUMAN RIGHTS AND FREEDOM OF EXPRESSION

Let me turn now to another important dimension of our engagement with China—encouraging the Chinese Government's respect for human rights and freedom of expression. From our own history, we know that human rights and social stability are inseparable. A government that respects the rights of its people secures its own future and a strong future for the nation. In this spirit, we call attention to China's poor human rights record not only because the cause of individual freedom is noble and just in its own right, but also because we believe that expansion of individual freedoms and greater political liberalization will help China to achieve long-term stability to the benefit of the entire world. Stability allows China to continue as a global economic engine of growth; it also allows it to contribute to regional and global peace and security in the ways I have outlined above.

In our talks with China, we point to concrete ways in which improvements on human rights, religious freedoms, and press freedoms will be a source of stability as China continues a national modernization that has been accompanied by wrenching social changes. If religious groups are allowed to operate more freely, they will be better able to provide material and spiritual assistance to those segments of the population left behind by China's explosive economic development. Similarly, a free press can be a valuable asset in the battle against official corruption. Furthermore, an enlightened and tolerant policy that promotes genuine expressions of cultural, ethnic, and religious identity by minorities could prevent the kind of unrest and violence that recently erupted in Tibetan areas of China.

As I testified before the Subcommittee on Asian and Pacific Affairs last month, we recognize Tibet as part of the People's Republic of China, but we have very serious concerns about the recent events, human rights conditions, and limits on religious freedom there. As the President has reiterated on many occasions—most recently in his call to Chinese President Hu Jintao on Tuesday of this week—substantive talks between Chinese officials and the Dalai Lama and his envoys are the best hope to address longstanding grievances and promote stability and prosperity in these Tibetan areas. We were encouraged by the recent meeting between Chinese officials and representatives of the Dalai Lama and the subsequent news that a sec-

ond meeting will take place soon. At the same time, we urge China to take a close look at longstanding policies in Tibetan areas that have created tensions because of their impact on Tibetan religion, culture, and livelihoods, to allow unfettered access to Tibet for diplomats and journalists, and to release protestors who expressed their views peacefully.

Finally, as we examine China's domestic situation, it is worth analyzing Beijing's efforts to respond to some of the challenges that have arisen recently in connection with its role as host of the 2008 Olympics. The Chinese Government has exerted substantial effort both to rally its population and the international community behind a successful Olympic Games. We have urged China to use the Olympics as an opportunity to show greater openness and tolerance, and to increase access to information and expand press freedom. Attempts to clamp down on those who seek to use the Olympics to air their legitimate grievances about certain aspects of China's policies will only serve to embolden China's critics. China will earn the respect and admiration it seeks as an emerging great power only by guaranteeing all of its citizens internationally recognized human rights.

CONCLUSION

If one steps back and views our engagement with China as a moving picture, evolving over time, one will see that in the past few years China's policy postures toward governments in North Korea, Sudan, Burma, and Iran have evolved in a positive direction. Supporting sanctions against North Korea and Iran, public calls for domestic political progress in Burma, and the deployment of peacekeepers to the Darfur region of Sudan are major shifts in Chinese foreign policy that suggest Beijing is rethinking its hard and fast principal of "noninterference" in the internal affairs of states friendly to China, and its argument that sanctions and pressure are not effective or appropriate tools in foreign policy. We recognize that there are many factors that have contributed to these outcomes, but we believe that our ongoing dialogues have played a significant role in bringing about these outcomes.

Our approach to influencing China's choices through a strong U.S. military, economic, and political presence in Asia, combined with diplomatic engagement and dialogue, is a long-term proposition. It requires perseverance, patience, and firmness, but it seems clear to us that it has been successful and that there are no other readily available alternatives that would produce better results for the United States and the world.

The CHAIRMAN. Thank you very much, Mr. Secretary.

I'm going to be here for the duration, and I'm delighted to yield to the Senator from Maryland, because I know he has something a little bit later that he has to attend. So, I'd be delighted to——

Senator CARDIN. Well——

The CHAIRMAN [continuing]. Yield to you.

Senator CARDIN. Thank you very much, Mr. Chairman. I appreciate that very much.

Secretary Negroponte, it's always a pleasure to have you before our committee. As you know, I have the deep respect for your commitment to our country and to the relationships with other countries.

I thank the chairman for his leadership, not only in this hearing, but the series of hearings that our committee will be holding on Chinese-American relations, which I think is critical to our country. In preparation for today's hearing I was challenged as to what questions to ask, because there are so many. There are so many issues out there. And I agree with you that we want to engage China. It's absolutely essential that we engage China, and that your thoughts that China will adhere to international norms through engagement has me somewhat concerned. And let me explain my reasonings.

Several years ago, it was thought that engaging China through the WTO would be the best way to bring about economic reforms in that country and to establish a more positive relationship

between the United States, China, and other trading partners. So, we normalize our relations with China and they enter the WTO. China today is certainly very far away from the type of level playing field that they should have as it relates to manipulation of currency; as it relates to intellectual property; as it relates to the safety of products that are imported into the United States; and I could continue to go through the long list.

As I hear your testimony, talking about human rights problems in China, the list gets longer and longer. In my view, it's not getting better; it's getting worse. Yestereday, I met with some individuals in regards to Internet access, including what China has done in arresting people who tried to present information to the people of China and how reporters are treated. The human rights violations continue to grow and grow. Then you look at what the international community's attempting to do regarding responsible policies toward climate change. China's policies are certainly out of step with its plans to increase so many more coal-burning plants.

My question to you is, Why should I be optimistic that constructive engagement will bring about the types of changes in human rights, economic and environmental issues? I could mention some of the security issues as well, when the record over the past 10 years would give us little hope that is the case.

Ambassador NEGROPONTE. Right. Thank you for your question, Senator. And I understand what underlies it, and I understand some of the concerns and frustrations that make this an open question in many people's minds.

The first thing I think I'd say is, I did not make a particularly expansive claim with respect to our relationship. I said, we have made "some progress" in our relations with China, and then I added, "I would say that the trend lines are positive." And I make that statement, I think, in all sincerity.

And I think you have to ask yourself two questions. You have to look—we're talking, really, about a process, and we're looking—at any particular time, we've got a snapshot of the current situation, and there's no question that we confront many of the challenges that you describe. But then, one has to look back a number of years previously and see what things were like then, and then make some judgment as to whether we think the trends are changing, and I think there are a number of different areas where you can say there have been great improvements.

Talk about the Chinese economy, I mean literally hundreds of millions of Chinese have been lifted out of poverty in recent years and have greater opportunities for self-fulfillment and self-realization than they had, say, for example, when I was the Vice Consul in Hong Kong in 1960, or when I first went to China with Dr. Kissinger in 1972, when the prospects for individual citizens living in that country were very grim, indeed.

I think the second question—or, answer I would give to you is that it's not only a matter of whether you—what you think of the situation inside of China; it's, How best can we influence it? And our conviction is—and I think it's the right judgment—is that the best way to influence China's behavior is to engage it, and to engage it at every level of our society and government, right from the President on down. And we think, through that process of engage-

ment and dialogue—and we have multiple dialogues going on with the Government of China, including Secretary Paulson's strategic economic dialogue, which engaged China on a whole host of issues—and the more, I think, that we do that, I think, the more likely we are to get, over time, the kind of responses to the concerns that we express to—the kind of responses that we seek to the concerns that we express.

Senator CARDIN. I agree that the best course is constructive engagement. I have no other alternatives. I think that——

Ambassador NEGROPONTE. Right.

Senator CARDIN [continuing]. That we need to pursue that course. I don't challenge that.

Let's just take the economic front for one moment. I know that we'll have Secretary Paulson before us, and this falls under his portfolio, not yours. But, when we look at engagement on the currency manipulation issue, I don't understand why this administration hasn't taken a tougher view within WTO on the manipulation of currency, which to me, is clearly actionable. We've been very slow to use the tools that we have available. Instead, we say we'll have constructive dialogue. Well, you can have constructive dialogue, but to try to get their attention, I think we should be using more aggressive tools.

My concern, as we continue to talk about this, China continues to hold more and more U.S. currency. They hold, I believe, the largest amount of foreign currency of any country. They hold a huge portion of American currency, second largest country that holds American dollars. We are losing leverage rather than gaining leverage in our constructive engagement with China. It seems to me we'd be better off if we used more aggressive tools to get their attention.

Ambassador NEGROPONTE. Again, I mean, as far as a detailed reply, I think I'd defer to Secretary Paulson, but what I would say, on the currency issue—and I think people can differ as to whether the China response has been adequate—but, I would point out that, over the past year or so—I think it's since the summer of 2007—the renminbi, the Chinese currency, has appreciated by some 18 percent. So that has been in the direction that we would like to see it go. Whether you think that the upward revaluation of their currency by 18 percent is adequate or not is perhaps a matter of debate, but it is a change, and it's not an insignificant one.

Senator CARDIN. But, it still doesn't float. It still very much overvalues the dollar on exchange, still works against United States products in China and Chinese products in the United States.

My point is it seems to me we would make better progress if we held China to international trade standards, as they agreed to do under the WTO.

Ambassador NEGROPONTE. The other point I would make in regard to that question is that our imports are now increasing at a very rapid rate to China—I mean, our exports—excuse me—our exports have increased something on the order of 20 percent last year. They're now one of our largest tech-support markets. So, I see some very hopeful prospects as—for United States exporters in China.

So, I think we may be seeing some change in this trend. While we may not be satisfied yet, I do think that the trend is in a positive direction, and it's more than just—these are more than just minor increments.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Lugar.

Senator LUGAR. Well, thank you, Mr. Chairman.

I want to continue along the line of Senator Cardin's questioning, just to think out loud about the implications of this trade we have with China. As you pointed out, Mr. Secretary, it increased rapidly last year, and I mentioned in my opening statement, by a rate of 240 percent from 2001 to 2007, which was significantly greater than the exports to any of our other top 10 trading partners. So, this is an extremely important part of our exports.

But, of course, even then, the deficit—in terms of our imports, the trade deficit with China was well over $200 billion again, and one can say, "Well, overall, our exports are $600 or $700 billion." As we then come into the second dimension, our domestic deficit, which, this year, is running in excess of $400 billion, the question is, Who loans us the money? And some of it we borrow among ourselves, but, as is now well known, we are selling bonds abroad, and securities, that make it possible for our interest rates to remain lower.

I often get questions from constituents, "How long can this go on?" In other words, if you have a domestic deficit of this dimension, and borrowings from wherever, whether from our American capital pool, with a savings rate of zero and so forth, or from the Chinese, where they have a very magnificent savings rate, for a variety of reasons, what happens if the dollar begins to diminish even further with relationship to the euro, or others decide they want more of a portfolio with regard to the reserves in which they find safety, but, likewise, could also find, maybe, better yield?

And you must have pondered over the years, as all of us have, because there seems to be nothing that's going to change, for the moment, any of these trends. Now, domestically, we could make a difference, in terms of our own deficit, but that is unlikely, even in most optimistic terms. People talk about 5 years toward balance, some say more like 10. But, given wars and problems, supplementals that we're about to take up, and so forth, we're going to have a large domestic deficit in the foreign side. Perhaps, as you point out, our dollar, by diminishing in value, has made it easier to export, so we've had a little bit of a push there. But, still, a deficit of $600-billion-plus, how can this go along? Or, is this the way the world works? In other words, is this a situation in which, essentially, the Chinese loan us the money to buy the goods, understanding that if they didn't loan us the money and keep it here, that somehow their economic situation would be severely disrupted?

Ambassador NEGROPONTE. Well, you're taking me a little bit far from my customary areas of concentration, here, Senator, so this is going to be my opinion. But, I'd say, first of all, I think we have to keep matters a little bit in perspective here with regard to China's spectacular economic growth. It has been phenomenal, there's

no question about it. I mean, 10 percent a year, year-in/year-out, is—and it looks like that's going to continue for the foreseeable future—is a very, very impressive record, indeed. But, even with, what, four times the population of the United States, they have only one-quarter of the national income. I mean, we are still a—we're a $13 trillion economy. China has $3.42 trillion nominal GBP.

Senator LUGAR. That's very important.

Ambassador NEGROPONTE. So, I think we have to keep a little sense of perspective here.

Senator LUGAR. Right.

Ambassador NEGROPONTE. Even with 1.6 trillion dollars' worth of reserves, which they have because of their phenomenal savings rate, that $1.6 trillion is about 15 percent of 1 year's national product for the United States, so it's not—it's not an enormous sum.

I think what you're going to see happen—I heard complaints, in Tokyo and in Seoul, that there's a shortage of containers for westbound traffic across the Pacific, because exports have experienced—our exports have experienced a spike in recent months because of the low dollar and the growing economies in the East Asia region. So, I think you're going to see increased United States exports, perhaps some correction in these imbalances to which you refer, although, as you know, the imbalances won't necessarily be one-for-one.

Senator LUGAR. No.

Ambassador NEGROPONTE. Or country-for-country, they sometimes can be for a region, because, after all, China's—is supplanting manufacturers from other exporters to the United States, in some instances. They've picked up some of the Southeast Asian manufacturing capacity to export to us.

The other point I'd make is that, one of these days, China's going to start spending more to attend to its own internal domestic needs, which I think is then going to discourage it from accumulating quite the currency surpluses that it's accumulating now. Hu Jintao says that his No. 1 goal is to create a harmonious society, and to create—he tells President Bush, whenever he meets him, "My No. 1 priority is to create 25 million new jobs a year." Well, he's going to have to start attending—and they, the leadership of China—to the social and economic needs of their own people. So, I think that over time we can expect them to evolve to a little more balanced approach to their own economic development, not totally export-driven, but also internally motivated, as well.

Senator LUGAR. And presumably, that—the thought of the Chinese leadership is more likely to lead to China's peace with its neighbors if it is not sort of preoccupied, but has as its major focus this harmony within China and the growth of infrastructure.

Ambassador NEGROPONTE. Yes, sir.

Senator LUGAR. Thank you.

The CHAIRMAN. Thank you very much.

Mr. Secretary, I appreciate your reference to perspective here, because we tend to, all of us in this town and in the community, focus on what are, taken in isolation, some splendid numbers. Let me talk to you about China's soft power for a minute.

There's been an awful lot of talk about what an advantage the Chinese Government has in their foreign assistance programs, their investment in other nations, because they don't get tied down with these pesky things like human rights and accountability, like we do or the World Bank or other international institutions. And you hear stated, ofttimes with alarm, of this significant—at least on the surface, significant investment that the Chinese Government, through its government-controlled institutions, are making in Africa, in Asia, in Latin America.

And that's why I asked for a report to be written by the GAO—I mean, excuse me, the Congressional Research Service on the—of the Library of Congress. And the title of the report is "China's Foreign Policy and Soft Power in South America, Asia, and Africa." And when you go through this report, which is—I'd—presumptuous of me—I'd recommend it to you. I think it's a fairly good report, and it's fairly thorough, on just this one issue of the soft power. The fact of the matter is that the raw numbers—first of all, we don't know for certain how much is actually being invested by the Chinese abroad, but that some of it is significantly overstated.

"While"—let me just read from one page—"While China's trade flows have increased dramatically both globally and within Latin America, Chinese foreign direct investment abroad, while increasing, has not been as significant. China's cumulative stock in foreign direct investment worldwide amounted to $73.3 billion at the end of 2006, just .58 percent of global foreign direct investment stock." And it goes on to say, "Cumulative stock in Chinese foreign direct investment with Latin America and the Caribbean rose $4.6 billion in 2003, accounting for almost 14 percent of China's foreign direct investment stock worldwide, to $11.5 billion in 2005," et cetera. And then it goes on to point out that 96 percent of that investment is in the Cayman Islands and in the British Virgin Islands and in Bermuda, and that it is—and the three major nations, although major sources of foreign direct investment into China, showing the possible intention of the Chinese foreign direct investment into jurisdictions could be so-called "roundtripping," whereby Chinese investors bring capital back to the country's foreign capital in order to take advantage of preferences given to foreign firms.

Now, I realize that's pretty esoteric for anybody listening to this outside the room here, but what I'm trying to get at here is that—What is your assessment—not in any of that kind of detail—What is your assessment of the purpose, intention, and efficacy of what we've been reading a lot about the last 3 or 4 years, about this significant apparent spike in Chinese foreign investment—we would call it—you know, average Americans refer to it as aid to other countries—with no strings attached, particularly Latin America? Is it real? Is it consequential? Is it competitive? What is its purpose? And is it consequential? Are they actually able to project power through this mechanism? Is it—how would you—how would you characterize it? How would you——

Ambassador NEGROPONTE. Well, it strikes me that it's the behavior of a country that is no longer totally contained within itself, in terms of its foreign policies, that it wants to play a role in the world. But, I don't know of anyplace in Latin America where, as a result of Chinese investment, that they somehow have gained a

preponderance of influence or have created some kind of a beachhead, if you will, on the shores of Latin America. And my understanding is that the—as you suggested, Senator, these sums are not necessarily that large, although we don't have a complete handle on the amounts of foreign assistance that China is giving.

That was one of the issues that I raised when I was in Beijing on Monday—I met with the Vice Minister of Commerce—it's the Department in China that handles foreign aid for their government. And we are proposing to them that we have consultations on foreign assistance so that there would be more transparency between us as to what our foreign aid policies are, and practices, so that we can try, at least, to see if, in certain areas of the world, we can coordinate our assistance policies, in the sense of—if we're not giving assistance to a particular country because we don't want to encourage certain kinds of behavior, well, then, it causes us concern if they come right in behind us and give aid to that same country and, we feel, undercut the purposes of the United States or the international community.

So, we'd like to start a dialogue with them on this matter.

The CHAIRMAN. What I'm trying to get at is—and I realize this is a very, very broad and not very targeted question, but the debate that surrounds this issue is whether or not the purpose of this investment is designed to undercut American influence deliberately in—whether it's Africa or in South Asia or in Latin America. And there is a debate—if that is the purpose, the efficacy of their efforts thus far. And—but, maybe I should leave that to another moment.

Let me——

Ambassador NEGROPONTE. If I could just add to one thing I said.

The CHAIRMAN. Yes.

Ambassador NEGROPONTE. I mean, Western researchers estimate somewhere between—that their aid bill, their assistance levels, are somewhere between $1.5 and $2 billion annually. Now, we don't know for sure, but if that figure is correct, that level, spread out over the world, is not a particularly substantial amount.

The CHAIRMAN. Yes. Because it's—well, anyway, I'll get back to that.

Let me ask one more thing. One of the things that none of us have—I shouldn't say "none of us"—I don't have any quarrel with the notion of engaging China, bringing them into, and holding them accountable to, international norms. One of the witnesses, who will soon testify, who I have great respect for, is—has a unique way, I think—at least, in—I don't want to hurt his reputation, but I think he captures and translates well, for average people, very complicated notions. And he says that our emphasis should be on shaping what China does, and not what China is. And it—there is a real distinction here, in that—and he says, "A cooperative United States-China relationship will not just happen. There is no invisible hand at work in the world of geopolitics. Still, it's critical that it does come about."

And the point of my raising that is this. There are a number of things that we have engaged China on, and there are a number of successes and some failures. And the real—and maybe—you don't have to answer it now, we'll go back to it—but, the real question for me is this: What do we do when this dialogue fails and China

acts in ways that are contrary to U.S. interests and international norms? That's the place where we seem to get stymied. That's the place where we seem to say—do nothing more than raise a red flag and say, "This is a violation of international norms." They're violating WTO. They're acting against our interests. But, there's never—to the extent that I've observed—never any consequence to it. And that's what you see, I think, Senator Cardin reacting to. That's what you see an awful lot of Americans reacting to. You know, we want them in the deal, but we don't seem to hold them accountable. Is it for fear of—well, I mean, how would you respond to that?

Ambassador NEGROPONTE. Here's how I'd respond to it. I'd go back to the one point I emphasized in my statement is that we have made some progress and the trend line is positive. And then I'd say, going to your question here, about shaping what they do, not what they are, look at the areas where we do really have an interest in what they do. The Korean Peninsula, for example, and the cooperation there, I think, has been very good and very excellent, and it's been from the top level on down in our two respective governments. So, I would list that as one of the important successes. We've worked more closely with them on the question of Iran in the Security Council. We've had quite a bit of cooperation in the Security Council. And, although not fully satisfactory, we've had some cooperation with them on the situation in Darfur. Just to give you three examples.

There are areas where we think they should do more. Usually, I think, the kind of situations you're referring to have to do with human rights, for example, particularly, let's say, the situation in Tibet. And my answer to that question would be, I think one has to simply persist—patience and persistence—in pursuing the dialogue at all levels. And in Tibet, we've gotten some encouragement, I think, from the fact that they have held and now resumed, one round of talks with the representatives of the Dalai Lama.

But, I think, to look at the other side, some kind of criticism or boycott the Olympics or something like that, I think—I don't think that that would achieve the desired purpose. I think it runs the risk of being counterproductive and could well put at risk other equities and other interests we have in our relationship with China, given the importance of the country and the breadth of dealings that we have with them.

The CHAIRMAN. Well, I don't disagree with you. I think they're more symbolic than the more substantive things I'm talking about relating to currency exchange and a whole range of other——

Ambassador NEGROPONTE. Right.

The CHAIRMAN [continuing]. Things that are—that would, in other nations, trigger responses on our part, that we do not trigger, or we seldom trigger.

But, at any rate, I'm over my time, and I apologize to my colleagues.

Governor.

Senator VOINOVICH. Thank you, Mr. Chairman.

One of the observations that many people make of our relationship with China is that, in spite of the fact that we have made some real progress internationally with China, particularly in the

Security Council of the United Nations, because China is key to our interests there and on the issue of North Korea, that on some of the other things that we should be pressing it on, we've lightened up for fear that we might lose its support. And we're talking about the currency issue, intellectual property rights, human rights, and so forth.

Perhaps we haven't lightened up on China in these areas as much as the public believes, but they do believe it. If you get on the telephone and talk with some people in the State of Ohio, they are livid about our relationship with China. They feel that China is walking all over us, that it is fixing its currency, that it's violating intellectual property rights, that its human rights record is very bad.

The point I'm making is, Mr. Secretary, that if things are not what I perceive them to be, then we're doing a bad job of conveying to the American people the work that we, in fact, are accomplishing in some of these areas, or maybe we're just laying off publicly because we don't want to get the Chinese angry with us.

Ambassador NEGROPONTE. The first thing I'd want to say, Senator, is that some of these issues that you mentioned are questions of judgment, because—for example, Is an 18-percent year-on-year increase in our exports to China enough? We do have a trade imbalance, but it so happens that, at the moment, we're having—China is our fastest growing export market. So, that's—I consider that a positive indicator.

Senator VOINOVICH. Right, but you and I both know that the reason for it is because our dollar is so weak, perhaps one reason is because half of our debt, or more, is owned by foreign countries, and people are getting a little bit leery about our financial ability. So, that's happening as a——

Ambassador NEGROPONTE. Right.

Senator VOINOVICH [continuing]. Result of the dollar, more than anything else.

Ambassador NEGROPONTE. They also removed the currency peg in July 2005, and the renminbi—their currency—has appreciated 18 percent. That may not be enough, to some people's liking, but, again, it's moving in the right direction.

There are times when we do impose sanctions. We've imposed sanctions against Chinese trading companies because of nonproliferation activities, where some item, which should have been controlled—dual-use item—was exported to North Korea or some other market, where we didn't think it should have gone, and we've imposed sanctions. The Chinese don't like that. But, it's part of our dialogue with China. It isn't all just talk. We will take measures when we believe our interests call for them.

Senator VOINOVICH. Well, I think some people describe our actions with respect to China as us waltzing, but, on occasion, you have to step on somebody's toes, and we're unwilling to do that.

The other thing I'd like to say is that, for the last several years I have worked on intellectual property rights, and we finally, in the Commerce Department, have something called "STOP!" It's a coordinated effort to deal with intellectual property. And I am very, very upset with the administration that we're not getting the kind of support from it to get this legislation passed. This new effort is

making some real difference—for example, we have been able to stops Chinese trading companies that we know are counterfeiting, and so forth. But, we're not getting the support from the administration, and I think that that's something that you folks ought to look into.

These are the kinds of things that need to be done, that don't seem to be getting done, that are making a difference. So the public perception is that we're losing more than we're winning.

And the last thing, Mr. Chairman, is the issue of soft power. There's no question that the Chinese are doing, in public diplomacy, a much better job than the United States of America. International polls, China ranks higher than we do almost anywhere in the world. China understands the importance of soft power or public diplomacy. We listened to testimony here a couple of weeks ago by Joe Nye and Dick Armitage about something called "Smart Power," and I'd like to know, from your perspective in the State Department, what we are doing to increase our soft power and our public diplomacy. The one area in which it would make a tremendous amount of difference is greenhouse gases, of which the Chinese have basically said they're not going to participate. It seems to me that we ought, if we're interested in progress on something like that, to engage China to become a partner with us and take a leadership role, and not only deal with the problems of the environment, but also deal with something that would show the two of us working together on something that's very important.

Ambassador NEGROPONTE. Well, I think, on that point, Senator, that's an area that the administration does plan to do more with China. A working group has been created, in the context of Secretary Paulson's economic dialogue with China, to dialogue about economic, energy security, and environmental issues. We also have the Asia Pacific Partnership, which deals with China on that issue. And last, but perhaps most importantly, to your point about getting them engaged on greenhouse gases, they got a free pass, as you know, in the Kyoto Protocol—they and India and some of these other major emitting countries. The President has taken the view, and it's the strong position of the administration, that in any follow-on arrangement in 2012 and beyond, vis-a-vis the Kyoto Protocol, that China and India and countries like that have got to be involved. They've got to take on obligations, as well, because, if you project out to the year 2050, if you don't get them involved in taking measures of some kind, their growth in emissions is going to cancel out or overtake any possible savings in such emissions that are made by the rest of the world. So, that is a high priority.

Senator VOINOVICH. OK. Just one last thing—again, on soft power. The Chinese are being smart and responsible citizens, but what are we doing to counteract that with our soft power?

Ambassador NEGROPONTE. I didn't know about these. I'd have to go and look at the figures you're referring to, in terms of popularity or relative receptivity to China. But, I'd say that we essentially want to encourage China to play a constructive role in the world, and—so that, I think, if anything, we favor increased engagement by them, provided that it is done constructively. I don't think we have anything to fear, in terms of our ability to compete with China, in terms of how well received we are or how effective our

programs are. The one part of the world that occurs to me in this regard, since they've made quite an effort, and so have we, would be in the continent of Africa. And my experience, based on my travels to Africa, is that the United States is extremely well received there, and there's nothing—this is not a zero-sum game, and there's nothing incompatible between them having some effective programs that make them an appreciated international player in the African Continent, and we doing the same.

Senator VOINOVICH. Well, from what we've heard, one area that we have really neglected is the area of soft power, that we've been concentrating on hard power, and one of the reasons why we're not as successful as we should be is that we haven't paid enough attention to the soft power. It would be interesting to know what this administration is going to try to do, before it leaves, to do something about it.

Thank you.

The CHAIRMAN. Thank you very much.

Senator Kerry.

Senator KERRY. Thank you, Mr. Chairman.

Let me begin by joining you in expressing our thoughts and condolences to the people of China for the tragedy that has engulfed them with this earthquake, the enormous losses that they've suffered. And we are certainly, I know, thinking about that, and, obviously, prepared to be helpful in ways that I think are needed.

Mr. Secretary, in response to what you just said to Senator Voinovich, let me just say that, having been involved in this effort for some 20 years now with respect to climate change, beginning with the first hearings that Senator Gore and I held, back in 1987, and going through the Rio Conference to Kyoto and beyond, and most recently in Bali, I think it's fair to say the attitude of the Chinese has changed significantly. I can remember meetings where, you know, you'd stare at each other, and there was no real conversation. And now, their Environment Minister has been part of their delegation, they are very serious, they understand what's happening to their glaciers, to their agriculture. They are moving, in fact, to put stricter standards on automobiles in place than we have, faster than we are, and moving on energy intensity, greenhouse-building, and other things. I think it's fair to say that most of those who have been involved in this effort for a long time believe that the United States, which has stayed out of the talks, frankly, until recently, and been the biggest scofflaw with respect to the Kyoto Agreement, and, moreover, represents 25 percent of the world's greenhouse gases, and has yet to move as authoritatively as Europe, is going to have a hard time, sort of, leading on this, unless we, in fact, lead. And we have a chance to do that here. So, it's our hope the administration is going to embrace the targets that have been set out, which major corporations in America, ranging from Dow Chemical to DuPont to American Electric Power to Florida Power Light, Lehman Brothers, British Petroleum, host of entities, are now embracing.

And half of our economy has been put under this, voluntarily. The RGGI Agreement in New England, the Midwest Agreement, and the California, plus four or five, Agreement, so that over half of the American economy has already moved, voluntarily, to place

itself under mandatory reductions, and we have yet to see the administration lead on this. So, our hope is going to be that it will in the next days; and I am confident, as is Prime Minister Blair, who was here the other day—I met with him on it; he's working this issue diligently, and he is convinced that we have to lead first.

So, my hope is that we'll do that, and I'm quite confident that, if we do, our market power and our GT-—our WTO-compliant weapons will empower us to be able to leverage the behavior we want. I'm not going to ask you to comment on that up front, unless you want to incorporate it in a subsequent answer, but I would like to ask you a couple of questions.

One, Prime Minister Kevin Rudd ended the United States-Australia-Japan-India quadrilateral talks after their first meeting, in May, because of the fears, in Beijing, of a sort of encirclement strategy. And I wonder if you would comment on what role you think the United States ought to play with respect to democracies in that part of the world and the ability of democracies to act together without, sort of, being neutered, in a sense, by whatever those fears are. Is there a way to build a different security arrangement and a way to leverage different behavior?

And tied to that is the other side of the coin that has seen China now—I think you've issued several demarches on this with respect to the weapons that have showed up in Iraq, Afghanistan, through China, as well as the multimillion-dollar oil and gas deals with Iran. So, you have Iranian weapons, you have the multimillion-dollar oil and gas deal, and yet, the sanctions issue has not moved forward.

How do you balance these interests that I've just described, the, sort of, quadrilateral talks, democracy, and then, the other side, China's presence and the need to have them help leverage different behavior from Iran?

Ambassador NEGROPONTE. Well, first of all, we still do have some regional consultations amongst the democracies. I mean, Japan, Korea, the United States, for example, we have some dialogue at various levels. We, of course, I think, most importantly, have our alliances with Australia, with Japan, with Korea, and we make very clear that they are the cornerstone of our security involvement and our security presence in the East Asia Pacific region.

Senator KERRY. But, why, then, do you think the quadrilateral talks stood out in such a way? If we have all those other relationships and they're a reality, why would the quadrilateral talks be this thorn?

Ambassador NEGROPONTE. Well, I haven't spoken to Prime Minister Rudd about the fact that he chose to disengage from those talks.

Senator KERRY. Has the Secretary talked to him?

Ambassador NEGROPONTE. I just can't recall whether she has or not, but I——

Senator KERRY. So, the talks ended, and it just didn't matter?

Ambassador NEGROPONTE. I—if I can submit a reply for the record——

Senator KERRY. Sure. That's OK. That's fine.

[The State Department supplied the written response that follows:]

Assistant Secretary-level officials from the United States, Japan, Australia, and India met informally on the sidelines of ASEAN Regional Forum (ARF) Senior Officials Meeting in Manila in May 2007. Officials discussed issues of mutual cooperation such as post-Tsunami disaster relief and counterterrorism. At the time, none of the parties viewed that meeting as a formal new grouping or mechanism but rather an opportunity to have discussions on an informal basis. The decision to forgo pursuing a formal grouping was not the result of concerns that such talks could be perceived as aimed at "encirclement" of China. Rather the decision relates more fundamentally to our view that we are already engaged in a number of bilateral and multilateral groupings in Asia that achieve our democratic, economic, and security goals.

The Trilateral Strategic Dialogue, in which we have participated since 2002, continues to be the premier venue for the United States and allies Australia and Japan to discuss issues of regional and international security concern. Secretary Rice will meet her counterparts for the next Trilateral Strategic Dialogue Ministerial in Japan in June.

We recognize that United States relations with India are strong and growing, and we value India's partnership and respect its democratic tradition. The China-India relationship has been improving, particularly in the realm of economic and trade relations. We encourage this trend.

Senator KERRY. Talk to me about the Iranian component of it.

Ambassador NEGROPONTE. I would like to mention something on the security front, which is that we are, nonetheless, when we visualized, in the six-party talks—we've talked about creating a Northeast Asia peace and security mechanism as one of the concepts that might flow from the six-party talks and from restoring peace on the Korean Peninsula, because of the absence of any all-embracing security mechanism for that part of the world. But, even as we move toward that, which we haven't done yet, but, as we get there, we're going to make clear that it's not at the expense of the alliances that we have in the region, which are all with democracies.

On Iran and Iraq and the question of weapons reaching—Chinese weapons reaching those countries, just the other day, Monday, when I was in Beijing, this was one of the issues I raised, the concern about Chinese weapons, or Chinese-designed weapons, showing up in some of these battle areas, be it Iraq or Afghanistan, and expressed our concern. And what my Chinese interlocutors have said is that they have scaled way back their sale of conventional weapons to Iran. They had had relationships previously where they exported these weapons, but they have dialed that back. And, as you know, they've cooperated with us in the Security Council on the three resolutions that have imposed sanctions on Iran for their enrichment activities.

So, I'd say that there's been quite a bit of cooperation between us and them on——

Senator KERRY. Was there any watering-down effort on the last sanction round?

Ambassador NEGROPONTE. It was a negotiation, and certainly if we had our druthers and could have gotten them to impose—by "them," I mean the entire international community—to impose more stringent sanctions, we would have welcomed that. But, this was a negotiated outcome, and so, I think you could say that it was less than the optimal.

Senator KERRY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

And, Mr. Secretary, welcome.

Ambassador NEGROPONTE. Thank you.

Senator MURKOWSKI. I want to ask a couple of questions this afternoon about Taiwan. In reviewing your written remarks here, you state that, "We'll continue to sell Taiwan defensive arms, to maintain the capacity to assist their defense, if needed." And I would like from you, this afternoon, just kind of a status report on where we are with regards to any arms sales to Taiwan.

I had, back in October of last year, sent a letter to Stephen Hadley, over at NSA, inquiring as to where we were with the sale of F–16s to Taiwan. Since the time of that letter, we've made several different attempts to get a response, and have basically been told it's in the works, but, really, nothing more specific than that. So, can you give me some indication as to where we may be with—whether it's the F–16 or any of the other arms sales to Taiwan?

Ambassador NEGROPONTE. There was an offer, of several years ago, of various other types of equipment—now, not the F–16s—a package of arms that was offered to Taiwan. And for a number of—I think, 2 or 3 years, it was being debated in the Taiwan legislature. And they've just recently voted funding and voted to approve the purchase of that package.

Senator MURKOWSKI. Right.

Ambassador NEGROPONTE. So, that's the most recent step that was taken on that. And there hasn't been any subsequent step. As you know, we're in the middle of a political—or, they are in the middle of a political transition in Taiwan, so we'll have to await developments there.

As far as the F–16 is concerned, there are no present plans to offer the F–16 to Taiwan, although that is a subject that has been under discussion over time.

Senator MURKOWSKI. So, is it fair to say that there is nothing, then, that is out on the table, in terms of specific military equipment or—you mentioned, you know, that the F–16 is not out there at this point in time.

Ambassador NEGROPONTE. It's not——

Senator MURKOWSKI. Is there anything——

Ambassador NEGROPONTE. It's not on offer at this particular time. I can give you the details of the package that was offered and approved by the Taiwan legislature.

Senator MURKOWSKI. Well, it was my understanding that there were several different defense sales that were kind of moving through the process, and recognizing the politics in Taiwan, and the politics over here, as well, I was hoping to get a little bit better sense of where we were in that process. So, if you can provide us with——

Ambassador NEGROPONTE. I will. I will, indeed, do that.

Senator MURKOWSKI. Great.

And then, one other comment that you have made in your statement, about Taiwan, mentioning finding ways to participate meaningfully with Taiwan for a broader range of international activities, and you state, for example, Taiwan's participation in the World Health Organization. I'm assuming that's reaffirming the United States policy toward Taiwan's WHO observer status. Are we doing

anything more, other than making statements like this, to encourage involvement or participation in WHO? Where are we with that?

Ambassador NEGROPONTE. We would—well, just as you correctly state, I mean, our policy is to not support their membership in an organization which requires statehood, but we think they're—they should be allowed to participate as an observer, particularly in organizations like the WHO, where their participation in matters of public health is important, not only to them, but to the international community as a whole. So, we will continue to support their becoming observers in the WHO, although, up until now, we have met with resistance to that within the organization.

Senator MURKOWSKI. Thank you, Mr. Chairman. I don't have any further questions.

Thank you, Secretary.

The CHAIRMAN. Thank you very much.

The Senator from Florida, Senator Nelson.

Senator BILL NELSON. Thank you, Mr. Chairman.

Mr. Secretary, the Chinese have not been particularly helpful in Darfur. So, what degree have you, the State Department, engaged senior leadership in China to try to help?

Ambassador NEGROPONTE. As we were saying earlier, Senator, that I represent the United States in our senior dialogue with China, which is where we discuss political issues with my counterpart, and it's one of the issues that is always on the agenda of our dialogue. We meet a couple of times a year, we discussed it earlier this week, when I was in Beijing.

Senator BILL NELSON. Give us some examples of the issues that you're raising with them, with regard to Darfur.

Ambassador NEGROPONTE. Well, first of all, we raised the question—we encourage them to do what they're doing, which is to participate in the peacekeeping effort there. And, as you perhaps know, they've got, I think, more than 300 people from their People's Liberation Army in Darfur, working as engineers to help build facilities there. And I think they may be the first country from outside the African Continent to have forces in Darfur. So, that's a good thing.

We've encouraged them to use their influence with Sudan—with the Government of Sudan, since they do have some influence with the Government of Sudan, to comply with the Darfur Peace Agreement and with the Comprehensive Peace Agreement, and to allow better access for the humanitarian workers to Darfur.

Senator BILL NELSON. Have they been successful?

Ambassador NEGROPONTE. I think they've played a role in conveying messages to the Government of Sudan and urging their compliance with the will of the international community. But, have they been completely successful? Obviously not, because we've not gotten as far with respect to the situation in Sudan as we would like.

Senator BILL NELSON. Could they help more?

Ambassador NEGROPONTE. Could they help more? They certainly know how much we would like them to help.

Senator BILL NELSON. Why don't you think they do? Since they are quite concerned about their image in the world now, with the Olympics coming up, and they certainly could exert a lot more in-

fluence in Darfur, why don't, you think, that they do it? Why do they hold back?

Ambassador NEGROPONTE. Well, Senator, they have put their own troops into Darfur. I don't know of any Western country that's done that.

Senator BILL NELSON. But, they're pumping oil there, too.

Ambassador NEGROPONTE. That is true. They've invested in the Sudanese National Oil Company, but——

Senator BILL NELSON. Well, let me ask you about that. Given the fact that they've made multiple energy deals with a whole bunch of African countries, where they exchange infrastructure projects for the oil futures, what, from our standpoint, can you tell us are our long-term security concerns on this consolidated influence in China—of China in Africa?

Ambassador NEGROPONTE. We were talking earlier, Senator, about the extent of their assistance programs, and we don't have a reliable estimate, but the—we have some estimates that it's something on the order of $1½–$2 billion a year, or something like that, for—worldwide. So, I think, compared to, let's say, the level of investment of the United States, if you take our PEPFAR program, our direct aid program, what we do for malaria, and our Millennium Challenge program, I think that the Chinese effort pales in comparison to the United States efforts in Africa. So, I guess I'm not overly concerned about it, although I do think it would be important—and we've proposed to China, that we have dialogue with them about their assistance programs, so that, for example, in a country where we're not giving assistance, and we have our reasons, and they are giving assistance, and we disagree with them doing that, we could at least—in our discussion, get on the table what the rationale of each of our respective positions are, and hopefully, maybe, move toward at better understanding and a convergence of our views.

Senator BILL NELSON. Tell me—given the fact that they had a successful ASAT test, how has that changed your thinking at the State Department—I'm not asking you as the Defense Department—in your planning and strategy toward China?

Ambassador NEGROPONTE. I was Director of National Intelligence when that happened, Senator, and I guess the point that we all made at that time—well, first of all, we thought that it was wrong for them to have carried out this activity, and, second, to do it without any notice whatsoever, since it affects interests of a lot of other people; it was a mistake. But, I think it also drives home the importance of the transparency with respect to China's growing military power, and importance of dialogue. And I'm happy to tell you, or pleased to tell you, that I think the level of dialogue—military dialogue—with China has improved somewhat in the last year or two, and there are much more discussions between our respective military and defense leaders than there was previously. And I think that's one of the things we want to see happen.

Senator BILL NELSON. Have you seen any clue that they have expressed any kind of embarrassment due to the fact that they put tens of thousands of pieces of debris up at very high altitude, that it will be decades before it degrades back into the Earth's atmosphere, and therefore, threatens not only our space assets, but other

nations', as well? Have you picked up any of that in your diplomatic circles?

Ambassador NEGROPONTE. I have picked up that this was not something that was carried out with extensive prior knowledge of the various agencies within the Chinese Government whose interests might have been affected by this shot.

Senator BILL NELSON. Do you think that the published reports that we see, that they intend and are planning for putting a man on the moon by 2020, do you think—well, what do you hear about that in your circles?

Ambassador NEGROPONTE. I'm sorry, I don't know. I should know the answer to that question. I do know that our NASA director wants to have a dialogue with the Chinese authorities about that, and obviously that would be a subject of great interest to him.

Senator BILL NELSON. And they don't want to talk to him——

Ambassador NEGROPONTE. I don't know.

Senator BILL NELSON [continuing]. About that.

Ambassador NEGROPONTE. I honestly don't know the answer to that question.

Senator BILL NELSON. They don't. And yet, it's clear that they're moving in that direction. And from a standpoint of United States diplomatic relations with them, and the balance of power, and holding the high ground, and so forth, that's something we've got to be concerned about.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Isakson.

Senator ISAKSON. Thank you, Mr. Chairman.

With regard to both Senator Nelson and Senator Voinovich's comments about soft power in Africa, having been there a couple of times and observed where the Chinese are investing, it does appear to me their investments follow their economic interests. They're not necessarily humanitarian investments, but they invest where there are resources they want to import. Am I right?

Ambassador NEGROPONTE. Well, I would have said, with respect to the Sudan, I think that's right. I'm not sure I know the entire portfolio of China's investments in Africa. But, certainly that association has been made, yes.

Senator ISAKSON. And is it probable that this may be the same reason for their involvement in Iran and in their interest again, in getting petroleum.

Ambassador NEGROPONTE. Right, although Iran doesn't really need foreign assistance because of their oil revenues.

Senator ISAKSON. Well, I think you made a very good point and—it's a point I want to make—we don't do a very good job, as a country, of tooting our own horn. That's a Southern expression. I thought your example about the Millennium Challenge Corporation, and the example on PEPFAR, what the United States initiatives have accomplished in Africa, are really astounding. And even to the extent of AFRICOM, which people perceive as a military presence, but, in fact, from everything I've seen, about 75 to 80 percent of AFRICOM is humanitarian investment. Such humanitarian investment includes drilling wells, building bridges, and helping with infrastructure on the continent. So, we don't, sometimes, tell

the story about how much we, as a country, really are doing, from a humanitarian standpoint and in the best interest of those people.

I would also appreciate being copied with your correspondence that you send to Senator Murkowski with regard to the Taiwanese request on the F–16.

Ambassador NEGROPONTE. Right.

Senator ISAKSON. I read, in your statement, a very clear statement about the concern of the continued buildup on their side of the strait, the mainland side of the strait, and I think that our Taiwan-China policy is clear, and I think the Taiwanese Defense Act, or what is it? Where we provide them with assistance to defend themselves.

Ambassador NEGROPONTE. Taiwan Relations Act.

Senator ISAKSON. Relations, I guess. I am very supportive of that.

You must have gone on the trip with Kissinger and President Nixon, the first trip to China. Is that the trip that you were referring to?

Ambassador NEGROPONTE. No; that was in February 1972. I went with Dr. Kissinger in June, 4 months later.

Senator ISAKSON. So, it was a followup trip.

Ambassador NEGROPONTE. Yes.

Senator ISAKSON. Going back to my memory, which gets worse and worse the older I get, but thinking back to 1972, it is pretty remarkable what that event did, in terms of opening China to the world and the world to China.

Ambassador NEGROPONTE. Absolutely. And when you think of the conditions that were evident at that time, everybody riding bicycles, and everybody wearing a very similar outfit, the sort of Mao tunics, and very low standard of living, and you think of what the development that—skyscrapers that you see in Shanghai and the developments you see in China today, hardly any room for the bicycles anymore, because they're crowded out by all the vehicle—the cars and the trucks. It's quite an amazing picture.

Senator ISAKSON. Well, the reason I make the point is, there have been some questions raised about China and things they don't do, but it seems to me that when that door opened, the genie was let out of the bottle, and the Mao days were quick to fall behind. Now China is pretty much engaged all over the world. I think from a positive standpoint that we are to benefit in the long run. Because their people now have a window to the world, which they didn't prior to that time, and once people see democracy and see freedom and free enterprise, as you're able to do by the Internet, telecom, and now with the Olympics coming and the world coming to their door, it just continues to put pressure on them, on the human rights side. These pressures should bring about all the positive things we'd like to see take place in China. Are we seeing that kind of evidence?

Ambassador NEGROPONTE. I think that's right. And an example that—a point that was made the other day by Stapleton Roy, our former Ambassador to China, which I thought was very apt, was that if you look at some of the other countries in Asia, like Taiwan or South Korea—or Japan, even—that were authoritarian, at times in the past, economic growth in each of those cases, and develop-

ment, brought along with it, eventually, a more democratic way of governance. And hopefully we can see that kind of development take time—take place over time in China, as well.

Senator ISAKSON. One last question, back to the Taiwan issue and the World Health Organization. Had the earthquake that hit Sichuan Province in China hit Taiwan, World Health Organization participation and information would have been invaluable to the Taiwanese. And I will continue to support what you said you support, and that is to allow Taiwan participation in the World Health Organization. I think that is critical for us to do.

Thank you very much, Mr. Chairman.

Thank you, Secretary, for being here.

Ambassador NEGROPONTE. Thank you.

The CHAIRMAN. Mr. Secretary, thank you. There are a whole lot of questions we all have—when we get a chance to talk with you, both before this committee, and you've always been available to each of us when we pick up the phone and call you, and—but, I want to emphasize that the—this is just a start, here. We'll, hopefully, have your colleague Secretary Paulson up here. We're going to have other administration witnesses, as well, who I think are agreed that they'll come and participate. We thank you for taking the time.

I have—I will not—I will not trespass on your time, or the other witnesses, right now, but I'm going to submit two or three questions on developmental-aid issues——

Ambassador NEGROPONTE. Happy to——

Senator ISAKSON [continuing]. That I'd like to—I'd like to ask you to follow up on, if you would.

The CHAIRMAN. And, again, thank you very much for——

Ambassador NEGROPONTE. Thank you.

The CHAIRMAN [continuing]. Your time.

Ambassador NEGROPONTE. I appreciate the opportunity.

Thank you.

The CHAIRMAN. Thank you, John.

[Pause.]

The CHAIRMAN. Our next panel is a very distinguished panel. And, again, we thank them so much for their taking the time. Dr. Richard Haass, president of the Council on Foreign Relations—and I'll put a much longer statement in about his significant accomplishments. Also, Dr. Kurt Campbell, chief executive officer of The Center of a New American Security, in Washington, DC, as well as Dr. Harry Harding, university professor of international affairs, the Elliott School of International Affairs, George Washington University, in Washington, DC.

Gentlemen, it's truly a pleasure to have you here. I've read each of your statements. That's not to suggest you should shorten them, just—they're first-rate, they're right on point. And I really mean that, I'm not suggesting—because I think part of the purpose of this committee is to be sort of a—an educational sounding board and forum for those who listen. So, it's not merely just for us to hear what you have to say. So, I welcome you.

Richard, thanks for coming back so soon. Why don't we begin with you, and then go to Dr. Campbell, and then go to Dr. Harding, and in the order in which we've been called.

The floor is yours, Richard.

STATEMENT OF HON. RICHARD HAASS, PRESIDENT, COUNCIL ON FOREIGN RELATIONS, NEW YORK, NY

Ambassador HAASS. Well, thank you, Mr. Chairman, Senator Lugar, Senators. It's good to be back before this committee, in particular to testify on this subject. You've selected an important one.

Let me also just say how pleased I am to be with these two gentlemen, who are two of this country's leading experts on Asia. And I'm also fortunate enough to count both of them as friends.

I heard what you said, I will not read my statement.

The CHAIRMAN. No, no, no, I didn't mean to suggest that. I—and I really didn't mean to suggest that.

Ambassador HAASS. OK.

The CHAIRMAN. Please, go ahead and read your statement, because I think it's first-rate. I was just—I was just bragging that I read them. [Laughter.]

And that was the only thing I was doing. But——

Ambassador HAASS. That's now in the record. [Laughter.]

Let me just make clear that I'm speaking for myself here and not for the Council on Foreign Relations, although——

The CHAIRMAN. No one's ever spoken for the Council——

Ambassador HAASS. Exactly.

The CHAIRMAN [continuing]. Have they? I'm not——

[Laughter.]

Ambassador HAASS [continuing]. It takes no institutional positions, and I expect a good chunk of its members will disagree with what I have to say here today.

Let me say, at the outset, that I don't think it's an exaggeration to predict that the United States-China relationship will, more than any other, influence international relations in the 21st century. I also think, though, that the basic contours of the 21st century are now visible. Let me just give a little bit historical comparison here, if I might.

The 20th century started out as a multipolar world dominated by a few. Then, after World War II, with the weakening of the European powers, and the special constraints placed on Germany and Japan, we ended up with a bipolar world dominated by the United States and the Soviet Union. Then, after the end of the cold war, we ended up with a world uniquely dominated by one country: The United States. Now, I would suggest it is a very different world, which I have termed "nonpolar." Essentially, it is a world characterized not by the concentration of power, but by its distribution, by its diffusion. We—the United States—will still remain first among unequals, but there will be many more independent actors, state and nonstate alike, possessing meaningful power, in one form or another.

The signature challenges of this era will be those presented by globalization, such as the spread of nuclear materials and weapons and associated delivery systems, climate change, protectionism, pandemics, drugs, and terrorism.

It is just worth stating for a moment that this represents a fundamental change from much of modern history, which, as you know better than anyone, was shaped by great power competition and

often great power conflict. This is now a different world, and there is an opportunity, because the fact that great power competition and conflict is no longer the driving force of international relations means that the world has opened up the possibility of meaningful cooperation between and among the major powers of this era, including the United States and China.

Now, what the United States and China choose to make of this opportunity to shape the world is a very different question. That is the one I want to talk about.

There are a number of possible futures for the United States and China and for their relationship. Two stand out.

The first would be in—the chairman alluded to it in his opening statement—a relationship marked mostly by competition, possibly even cold war, which, by the way, if it were to ever come about, would lead us to rename this period the "inter-cold-war era." Worse yet, it could be, conceivably, a relationship marked by conflict. At the other end of the spectrum, a far more optimistic alternative, would be a United States-Chinese relationship that I would call "selective partnership," which is just that, a willingness and an ability to work together when interests coincide, such as recently we saw with North Korea.

The obvious challenge for American foreign policy, but also Chinese foreign policy, is to steer the relationship toward the more cooperative end of the spectrum, and to manage areas of disagreement so that they do not spill over and preclude partnership and cooperation where they are otherwise possible.

And, given your conversation here just now with Secretary Negroponte, I just want to highlight that it is in our interest to try to persuade China to see that it is increasingly in China's self-interest to work with us. I do not believe that is "pie in the sky." It falls within the realm of possibility. But, we also need to understand cooperation will, on occasion, or more than on occasion, prove impossible. We ought to be very, very careful before introducing ideas of linkage into the relationship. Just because we can't cooperate everywhere does not mean we want to eliminate the possibility to cooperate where we can.

So, what is required? Let me begin with what is probably the most important functional recommendation, which is regular high-level consultations. And what I'd say here is, consultations are to foreign policy what location is to real estate. It is not everything, but it's a great deal. And the scope of such consultations should run the gamut from bilateral political and economic matters to regional and global issues.

In general, consultations provide a setting to establish rules that would shape international relations, and then to go on to design institutions that would buttress those rules. As we heard just before, the United States and China have helped themselves by establishing consultative frameworks in the political and economic realms, and these should be continued at a high level, as well as at a medium level and a working level, by the next administration and held as frequently as is productive.

Bilateral consultations, though, will not be enough. U.S. foreign policy should also be geared toward integrating China into regional and global efforts meant to structure the 21st century world. It

would help to expand the G–8 to include China on a permanent basis.

Second, devising a security architecture for Asia, possibly resembling the Organization for Security and Cooperation in Europe and what it has done for that part of the world, also deserves serious attention.

A regional body for Asia along these lines, which would involve the United States and China, and not exclude either, could complement existing regional mechanisms, as well as United States alliances with Japan, Korea, and others.

As a rule of thumb, China is more likely to support those regional and international arrangements it has had a hand in building than those it is simply being asked to support.

Let me say one or two things about energy and the environment. There are many arguments for reducing, as I know this committee has heard from others, demand for oil. Here I'd list the impact on price, flows of dollars to producers, and climate change. The United States and China happen to share these interests, as well as a stake in the growth of supply and the stability of supplier countries. What the two countries also share is a stake in avoiding growing competition over access to energy supplies. Such competition could drive up price; or worse, it could bring about, in a worst-possible case, conflict. All this underscores the need for enhanced consultations in this area. I would single out three subjects: Climate change, technology development and sharing, and steps to promote stability in producing regions.

One area I would not be so enthusiastic about——

The CHAIRMAN. Excuse me, would you repeat those again? Climate change, you said——

Ambassador HAASS. Climate change, technology development and sharing—for example, in the clean-coal area——

The CHAIRMAN. Yeah.

Ambassador HAASS [continuing]. And we should have a conversation with the Chinese about the stability of oil production areas and routes. They, like we, are increasingly dependent on imports. And they, like we, are dependent upon open sealanes. And it is—coming back to your previous conversation about Iran, one of the potential aspects——

The CHAIRMAN. Yeah.

Ambassador HAASS [continuing]. Of that conversation has got to be what the consequences of a crisis over Iran and the use of force, vis-a-vis Iran, would mean for the price and availability of oil. China has a stake in not seeing that scenario come about, just like we do.

Let me raise one question, though, about institutionalization, and that would be in the area of creating a league or cluster of democracies. There is the reality that the cooperation of nondemocratic states, such as China and Russia, is essential if global challenges are not to overwhelm us. And, on top of that, it's not obvious that the exclusion from such groupings of democracies of countries such as China would have the effect of encouraging the evolution of democracy and civil society in that country. So, if we are going to go ahead, nonetheless, to establish some kind of a league of democracies, I would simply suggest that the purpose of such a

group be limited to democracy promotion, and it not become a forum where the full range of foreign policy matters is discussed, much less decided.

Let me return, then, to something you mentioned, Mr. Chairman, in your comment, before, about what the principal focus of U.S. foreign policy ought to be toward China. You were kind enough to quote from something I said, so I will follow suit. The principal focus of U.S. foreign policy toward China should be China's foreign policy. And the reason is simple. Given all the challenges we face in this world, the United States does not have the luxury of making its focus what goes on inside China. Nor do we have the wisdom or ability to make China in our image. We do, though, have an interest in a stable and peaceful China that is willing and able to play a constructive role in the world. And let me be clear here, because it is easy to caricature what I just said. This is not an all-or-nothing call. There are things we can do that would influence what happens inside of China, such as promoting the spread of the rule of law, working with the Chinese to increase the transparency of all the government does. By doing those things, we would help bring about a more open China. But it is a matter of emphasis. And foreign policy has got to be a question of emphasis; it has got to be a question of priority, and it has got to be a question of trade-offs. And the emphasis of United States foreign policy should be on shaping what China does, and not what China is.

The United States also needs to be careful not to react to the so-called Chinese threat. China's economy is large, and growing rapidly, but it does so from a very low base, as Senator Lugar pointed out. Moreover, much of its wealth is necessarily absorbed by providing for its population, not for military investment or foreign policy undertakings. And even though it is modernizing its military, we've also got to keep that in perspective; it spends only roughly 15 percent or so of what we do on our military. And the bottom line is that China is not yet a military competitor, much less a military peer.

Interestingly, I think Chinese leaders understand this, and they understand just how much their country requires decades of external stability so that they can continue to focus their energies and attention on economic growth and political evolution. China is an emerging country, but in no way is it a revolutionary threat to world order as we know it.

Let me just end with one or two things that the Chinese also have to think about, because if this relationship is to prosper in every sense of the word, it is going to take both sides to manage it carefully and manage it well.

We, alone, cannot bring about a successful United States-Chinese relationship. What the Chinese do and say will count just as much. They will need, to begin with, to exercise restraint and patience on Taiwan. There can be no shortcuts, no use of force. We, at the same time, must meet our obligations to assist Taiwan with its defense. We can also help by discouraging statements and actions by Taiwan's leaders that would be viewed as provocative, or worse.

Let me also discuss one last subject that doesn't get enough attention: China's relationship with its own nationalism. It is actually the one development within China that concerns me the most

and, I believe, casts the greatest potential cloud over China's future and over our bilateral relationship.

Nationalism could all too easily fill the void within China, all too easily fill the political and psychological void in that society. And this is dangerous, as history demonstrates that leaders who allow or stimulate excess nationalism can all too easily become trapped by it. This argues for allowing greater political and religious freedom in China so there are alternative sources of legitimacy and allegiance there. Ultimately, there needs to be more to life for the Chinese people than simply economic advance. But it is also true that this is something that the Chinese will largely have to do by, and largely for, themselves. We can and should make our views known, but mostly in private, and not as demands or as prerequisites for our willingness to work with China when it is in our own self-interest to do so.

Last, China will need to assume a greater responsibility in world affairs. It cannot continue to hide behind its being a developing country. China is one of the world's great powers, and it needs to approach specific foreign policy matters, from Zimbabwe and Sudan, to proliferation and climate change, not just through the narrow prism of what is good for its economy; Chinese leaders also need to consider what is good for the world.

In return, China can expect a greater role in setting the rules and building the institutions that will shape the world. In this vein, China's foreign policy analysts and leaders should reconsider their view of sovereignty. In the modern world, what happens within borders can affect others. Governments cannot be free to commit or allow genocide or harbor terrorists or proliferate weapons of mass destruction. With sovereignty comes obligations, as well as privileges.

The United States can help by being sensitive to legitimate Chinese concerns, by consulting frequently, and by working to integrate China into regional and global institutions in a manner befitting a rising power. This is something we can and should do, not as a favor to China, but as our favor to ourselves in a era of history where Chinese cooperation is essential if globalization is to be managed.

Thank you. And I look forward to any comments or questions you may have.

[The prepared statement of Ambassador Haass follows:]

PREPARED STATEMENT OF HON. RICHARD N. HAASS, PRESIDENT, COUNCIL ON FOREIGN RELATIONS, NEW YORK, NY

Thank you for this opportunity to testify on United States-China relations in the era of globalization. This is a critically important subject. It is no exaggeration to predict that the United States-China relationship will, more than any other, influence international relations in the 21st century.

That said, the basic contours of the new century are already visible. Unlike the 20th century, which started out as a multipolar world dominated by a few, became, after World War II, a bipolar world dominated by two countries, and ended up mostly a unipolar reflection of American primacy, the 21st century is nonpolar. Ours is a world characterized not by the concentration of power but by its distribution. The United States is and will remain first among unequals, but there are and will be many more independent actors, state and nonstate alike, possessing meaningful power in one form or another than at any other time in modern history.

But if the structure of today's world is clear, its character is not. A nonpolar world is already a reality, but it is not certain whether it turns out to be the sort of world

where most people live in peace, enjoy prosperity, and experience freedom. Again, the trajectory of the United States-China relationship will help determine how this century unfolds.

The signature challenges of this era will be posed by globalization. Globalization is the increasing volume, velocity, and importance of flows within and across borders of people, ideas, greenhouse gases, manufactured goods, dollars, euros, television and radio signals, drugs, guns, e-mails, viruses, and a good deal else. The challenges that result from globalization are many, and include the spread of nuclear materials and weapons and associated delivery systems, climate change, impediments to trade and capital movement, pandemics, drugs, and terrorism.

The notion that challenges derived from globalization will dominate the century represents a considerable departure from much of modern history, which more than anything else was shaped by great power competition and conflict. But such competition and conflict between and among the great powers of this era—the United States, China, India, Russia, Japan, and Europe—is not and need not become the defining dynamic of this century. This is a tremendous development, as the United States is spared the cost and risk of engaging in such conflicts.

It is as well an opportunity. The absence of automatic great power competition and conflict opens up considerable potential for cooperation among the major powers of the era, including between the United States and China. Ideally, this cooperation would be centered on those pressing global challenges that no single country can manage much less master on its own. What the United States and China choose to make of this opportunity to shape the world of the 21st century is a different question.

There are a number of possible futures for the United States and China and the relationship between them. Two stand out. The first would be a United States-China relationship marked mostly by competition, cold war, or, worst of all, conflict. History suggests this is possible, if only because of the natural tendency for friction to arise between the prevailing power of the day and a rising power that could challenge its status. Concerns about this prospect exist in the United States given China's economic dynamism, its growing military strength, and aspects of Chinese policy, including its stance vis-a-vis Taiwan and its emphasis on securing access to energy and raw materials. Not surprisingly, concerns in China about U.S. intentions are no less intense, with many believing that U.S. foreign policy aims to thwart China's rise and deny China its rightful place in the world. Many also believe that the United States regularly and unjustly interferes with what many Chinese see as internal matters, including Taiwan, Tibet, and the nature of China's political system.

A far more optimistic and positive alternative is a United States-China relationship that could best be described as selective partnership. This would be fundamentally different from and considerably less than an alliance, something that involves a commitment to act together, normally on the most fundamental matters of defense and security. Rather, selective partnership is just that: A willingness and ability to work together when interests coincide. North Korea is a case in point. The United States and China have cooperated to a degree to manage, i.e., place a ceiling on, the nuclear problem. This is not the same as solving it. Nor is it to be taken as a precedent. Cooperation between the United States and China thus remains limited in frequency and scope; the relationship shares and will likely continue to share elements of both competition and cooperation. The obvious challenge for statecraft is to steer the relationship toward the cooperative end of the spectrum and to manage areas of disagreement so they do not spill over and preclude partnership and cooperation where otherwise possible. We need to work to bring about a bilateral relationship in which China increasingly sees it in its own interest to work with us—and where both countries eschew linkage on those occasions when cooperation proves impossible.

A cooperative United States-China relationship will not just happen. There is no invisible hand at work in the world of geopolitics. Still, it is critical that it does come about. The stakes are great. Slowing the spread of nuclear materials; controlling climate change; managing pandemics; maintaining an open world economy: these and other challenges will be far less difficult to contend with if the United States and China work together. Indeed, it is next to impossible to imagine how these challenges could be met if China and the United States fail to cooperate or, worse yet, actually work to frustrate collective efforts.

What then is required? There is no single or simple fix, but one place to start is with regular, high-level consultations. Consultations are to foreign policy what location is to real estate: Not everything, but a great deal. Consultations offer an opportunity for officials to share views on emerging and existing challenges and on what needs to be done about them. The scope of such exchanges should run the gamut, from bilateral political and economic matters to regional and global issues. When

it comes to global concerns, consultations provide a setting to establish rules that would shape international relations and to design institutions for buttressing those rules. Consultations have the potential to be the creative exchanges that set the stage for successful negotiations. The United States and China have helped themselves by establishing consultative frameworks in the political and economic realms. These should be continued at a high level by the next administration and held as frequently as is productive.

It also warrants mention that the time when bilateral economic ties could provide ballast and protection for the entire bilateral relationship is largely over. In part this is because economic ties themselves have become something of a source of friction given the large bilateral trade imbalance and China's managed exchange rate. The criticism this situation generates is overstated—the trade imbalance would remain high even if China allowed its currency to appreciate, and U.S. exports to China are growing rapidly—but the political friction in the United States is real all the same. This situation calls not simply for addressing (in the WTO and bilaterally) legitimate concerns about China's economic behavior, but for establishing rules and procedures that encourage the flow of Chinese investment into the United States.

The likelihood of increased friction in the economic realm reinforces the importance of expanding United States-China diplomatic coordination. Bilateral consultations are not enough, however. U.S. foreign policy should also be geared toward integrating China into regional and global efforts meant to structure the 21st century world. It would help to expand the G–8 to include China on a permanent basis; better yet would be to transform the grouping into a G–10 (with India also added as a regular member) and then to involve medium powers (including such countries as South Africa, Brazil, South Korea, Mexico, Indonesia, and Australia) and other state and nonstate actors as relevant. Devising a security architecture for Asia, possibly resembling in some fashion what the Organization for Security and Cooperation in Europe (OSCE) has done for that region, also deserves serious attention. A regional body along these lines could complement existing regional mechanisms as well as U.S. alliances with Japan, the Republic of Korea, and others. Asian security arrangements that involve both the United States and China are called for if the region's dynamism is not to prove too much for local governments to manage. All things being equal, China is more likely to support those regional and international arrangements it has had a hand in building than those it simply is being asked to support.

Energy and the environment merit separate mention. There are many arguments for reducing (or at least slowing the rate of increase in) demand for oil, including the impact on price, flows of dollars to producers, and climate change. The United States and China share these interests as well as a stake in the growth of supply and the stability of supplier countries. What the two countries also share is a stake in avoiding growing competition over access to energy supplies. This combination of overlapping and potentially competing interests underscores the need for enhanced consultations in this area, including on climate change, technology development and sharing, and steps to promote stability in producing regions.

The United States should be wary of institutionalizing some sort of league or cluster of democracies. Apart from the difficult and awkward problem of determining which states qualify for membership, there is the reality that the cooperation of nondemocratic states, including China and Russia among others, is essential if global and other challenges are not to overwhelm us. It is also not obvious that exclusion from such a grouping would have the effect of encouraging democratic evolution in the countries that need it most. If such a group is nonetheless established, it should be limited to the purpose of encouraging reforms related to promoting democracy and not become a forum where other foreign policy matters are discussed and decided.

The principal focus of U.S. foreign policy toward China should be China's foreign policy. This may be seem obvious, although it is anything but. One contending school of thought influencing American foreign policy would emphasize and seek to change what goes on inside countries, both as a moral end in itself and for pragmatic ends. This latter contention stems from the assumption that democratic countries are likely to behave better toward their neighbors than authoritarian regimes. But given all the challenges we face in a global world, the United States does not have the luxury of making its focus what goes on inside China. Nor do we have the wisdom or ability to make China in our image. We do, though, have an interest in a stable and peaceful China that is willing and able to play a constructive role in the world. It is not an all or nothing call—there are things we can do (such as spreading the rule of law and working with the Chinese to increase the transparency of what goes on inside the government) to help encourage the emergence

of a more open China. But there is the matter of emphasis, and the emphasis of U.S. policy should be on shaping what China does, not what China is.

The United States also needs to be careful not to overreact to the "Chinese threat." China's economy is large and growing rapidly, but it is doing so from a relatively low base. In addition, it is unlikely double-digit growth rates can be sustained. Moreover, China's enormous population is as much a burden as an asset. Much of its wealth will necessarily be absorbed by providing for its population, not for military investment or distant undertakings. Similarly, although China is modernizing its military, we should keep its military might in perspective. China spends roughly 15 percent of what the United States does on its military. China is not a global military competitor, much less a peer.

Some in the United Sates tend to overstate China's strength; in my experience, few in China do. To the contrary, Chinese leaders understand well just how much their country requires decades of external stability so that they can continue to focus their attention on economic growth and political reform. China can ill afford external distractions that would absorb resources and jeopardize the environment that China requires for continued economic growth. China is an emerging country, but in no way is it a revolutionary threat to world order as we know it.

But U.S. policy alone cannot determine the future trajectory of United States-China relations. What the Chinese do and say will count just as much. China will need to exercise restraint and patience. Taiwan is one such area. There can be no shortcuts, no use of force. History must play itself out. The United States must meet its obligations to assist Taiwan with its defense. At the same time, the United States can help here by discouraging statements and actions by Taiwan's leaders that would be viewed as provocative or worse. But leaders on the mainland must not overreact nor be pushed by domestic pressures to take actions that would prove destabilizing.

China's leaders must also be careful of nationalism. Communism and socialism do not command public support as they once did. Materialism and consumerism cannot substitute. Political and religious freedoms are severely constrained. Nationalism can all too easily fill a void. This is dangerous, as history demonstrates that leaders who allow or stimulate excess nationalism can all too easily become trapped by it. This argues not simply for keeping nationalism in check, but for allowing greater political and religious freedom so there are alternative sources of legitimacy and allegiance in the society beyond that of economic advance. This is something that the Chinese will largely have to do by and for themselves. The United States can and should make its views known, but mostly in private and not as demands or as prerequisites for our willingness to work with China when it is in our own self-interest to do so.

China will need, too, to assume a greater sense of responsibility in world affairs. China cannot hide behind its being a developing country. It is one of the world's great powers. China needs to approach specific foreign policy matters ranging from Zimbabwe and Sudan to proliferation and climate change not just through a narrow prism of what is good for its economy. It also needs to consider what is good for the world. In return, China can expect a greater role in setting the rules and building the institutions that will shape the world. In this vein, China's foreign policy analysts and its political leaders should reconsider their absolute view of sovereignty. In the modern world, what happens within borders can affect others. Governments cannot be free to commit or allow genocide or harbor terrorists or proliferate weapons of mass destruction. With sovereignty comes obligations as well as privileges.

Again, the United States can help here, by being sensitive to legitimate Chinese concerns, by consulting frequently with Chinese leaders, and by integrating China into regional and global institutions in a manner befitting a rising power. This is something we do not as a favor to China, but as a favor to ourselves in an era of history where Chinese cooperation is essential if globalization is to be managed.

The CHAIRMAN. Thank you very much.

Doctor?

STATEMENT OF DR. KURT CAMPBELL, CHIEF EXECUTIVE OFFICER, THE CENTER FOR A NEW AMERICAN SECURITY, WASHINGTON, DC

Dr. CAMPBELL. Thank you very much, Chairman Biden, Senator Lugar, other Senators. Thank you for this opportunity.

As you've suggested, we've sent in our full comments earlier today, and I'll try to just simply summarize. But, I'd like to, since I agree with almost everything that Richard has said and written, and the same thing with Harry, I think I'll focus more on American policy and what are some of the challenges that are likely for American policymakers to face when it comes to China's rise. And, in that respect, I'll just make five quick points.

But, before I do, I also just want to comment and really suggest that we all appreciate working with your staffs. You've got excellent people who work on these and other issues, and we appreciate it, and we appreciate their hard work.

Five quick points, Chairman Biden, if I can.

I think, if you ask many people outside of the United States—and, indeed, historians, maybe, 10 or 15 years from now—what is the key feature of global politics, it might be a surprise. For most Americans, certainly those of us who work in Washington, we'd say, "Well, look, it's the war on terror and Iraq. Clearly, that's the issue that we've got our eye on." I think a powerful argument could be made, if you go elsewhere, that they would say that the key feature in global politics over the last decade has been the arrival of China on the international scene as a great player and a great power. And I think that the essential components of that are obviously China's economic capabilities, its growing commercial might, its political muscle, its soft power, as we've discussed.

But, I think, unfortunately, a critical ingredient in that arrival has been American preoccupation. If you ask many friends in Asia, they will tell you, "Look, where the United States is right now." China's arrival has basically occurred during a period of somewhat of an American vacuum in which we have been missing among many of the most critical dialogues and discussions in Asia, and that's going to be—and, I must say, that, unfortunately, is a bipartisan preoccupation, and it's something that the next President, Democrat or Republican, is going to have to confront head on.

I would also say that we—you focused—I love the report that you commissioned, Chairman Biden. My own hunch is that we have seen the high point in Chinese soft power, and it's going to be over the last couple of years. But, I think the real interesting questions, going forward, are just simple measurements about Chinese power, because what Chinese friends in the region and elsewhere are starting to appreciate is that, not only does China have soft power—and there are limitations to it, associated with Tibet and other issues—but, it's the combination of the two that they have wielded. I don't—you know, this concept of "smart power," I'm not sure—I think that just means diplomacy, I think. But, the truth is that the Chinese have been quite effective at merging hard and soft power in a way that I think is a real challenge to the United States and other friends in the international system.

So, this first issue, I think we just have to recognize that this is a dominant feature in global politics. As Richard and Harry point out, it's not going away, it's going to dominate global politics over the course of the next 50 years.

Second, since everything—to get attention, if you focus on Asia, you've got to focus a little bit and link China or Asia to the Middle East, I'll do so now, and I'll talk about Iraq. I mention in my state-

ment that I think American policymakers face something that I would refer to as the "Siberian dilemma." Now, I, unfortunately, spent many years as a Sovietologist, not very good training for very much, but you learn a lot of great stories that are wonderful anecdotes that you could apply elsewhere.

Russian fishermen who live in Siberia, who venture way out onto the ice, even in the coldest periods of the year—and because that ice has a very high content of salt, it's still thin very, very far out; so when these fishermen go out, they know that that's where the fish are the biggest, they drop their lines in; and, even on the worst days, sometimes they're out there in the middle of the lake; and if that ice breaks, they're, you know, plummeted into the water, and they face, immediately, the Siberian dilemma. If they remain in the water, call for help, they'll be dead of hyperthermia in about 10 minutes; if they pull themselves out on the ice to attempt to climb away, they'll be dead in about 2 minutes, because the ice freezes on their body. And so, in typical Russian optimistic sense, that's the "Siberian dilemma."

And I would suggest to you that American—it's really encouraging. It's a good feature for our discussion.

The CHAIRMAN. I kinda like that. [Laughter.]

Dr. CAMPBELL. It's—we face a version, sort of a sand version of the Siberian dilemma, when it comes to Iraq. If we decide to stay in and slog it out for the next 10 or 15 years, spending troops and treasure, American capital, we will pay a price. And one of the regions who will pay the largest price—and we should be under no illusions about that, we should just recognize it up front—is going to be in Asia.

The CHAIRMAN. Yeah.

Dr. CAMPBELL. However, if we decide, very rapidly, to withdraw, pull our forces out, it's likely to be a mess, and we'll be able to replace pictures in 1975 of folks, you know, fleeing on helicopters, with new pictures of guys getting out of the Embassy with, you know, computers and stuff to other waiting helicopters, and the consequence there, of course, will be felt in the Middle East. And that's where we talk about it the most. But, the truth is, no region is more attentive to the concepts and, sort of, the dimensions of American power than Asia is. So, the Siberian dilemma, the challenges that we face in Iraq, will have deep consequences for Asia and China.

Third point, quickly, Mr. Chairman, I want to talk about the components of a good American strategy, vis-a-vis China, or at least what are—some of the challenges are. And I want to make—one thing internally and one thing externally—and I'm going to just reflect on my own experience and something that I am struck by. I had either the good fortune or the challenge of working in the part of the Defense Department and in the Navy that thought more about, shall we say, hedging, vis-a-vis China. Others, like our very able witness before us, have worked more on the engaging side. I counted, and he, I think, used the word "dialogue" over 1,000 times. Dialogue is very important. It's also very important to think about hedging, as well.

What I'm concerned by is that these two components, these two wings of our policy, even though we talk about it as a coherent whole, are not very well integrated.

The CHAIRMAN. Yeah.

Dr. CAMPBELL. And I'm struck that, increasingly, you're able to send, sort of, mixed messages, unintended messages. And I will tell you that the people I interacted with primarily in China on the military side, the hard side, did not think and talk the way Secretary Negroponte did. Likewise, some of the people that I worked—in the Defense establishment in the United States in China also think about things very differently.

One of our most important challenges, going ahead, is to try to integrate this in a more sophisticated way, because they're almost like two torpedoes on different paths, sort of heading in different directions, and they're not well linked together.

The second point is one, I agree with you, Chairman, and——

The CHAIRMAN. Are they linked in China?

Dr. CAMPBELL. Better than they are in the United States. But, that's just because they're a highly centralized government.

I would also say that I agree with both Richard and you, Mr. Chairman, that one of the most important ingredients of a successful policy is to engage the leaders of Beijing intensively. But, the truth is, and one thing that's occasionally lost on American policymakers, is that good China policy isn't just going to China, it's working in the region, it's working with our allies in the region and reassuring them, engaging them deeply and profoundly, and that starts in Japan. We need to rebuild our relationship with South Korea. We've done a lot in Australia and Singapore and other countries.

I will say the one area that I—as I listen to Secretary Negroponte, that I heard a little wobbliness, was our relationship—our security relationship should be with Taiwan. And I think that's important. I personally am—would be someone who would suggest that Taiwan will have the confidence to engage with Beijing. We want a peaceful process. But, they will only have that confidence if they know that we have their back. And so, I think it's important for us to send a signal and a message that we understand that they're living in a difficult neighborhood. That's the third point.

Two last points.

One, climate change. Everything, I think, that has been said today is very reassuring, in a recognition that climate change, in my view, is going to be the dominant—not environmental issue, the dominant national security issue—national security issue over the course of the next 30 to 50 years. But, the truth is, when Secretary Negroponte said "unless we get this done by 2050"—if we don't get this done—start seeing major changes in both United States and China policy in the next 10 years, it's game-over. If you look at the most reasonable, conservative predictions about what's going to happen to sea-level rises—let's say, maybe, a meter over 50 years—you have a billion people on the move. It's a global catastrophe of really historic proportions. And so, we don't have that time.

And I will say that, generally speaking, we talk about the benefits and possibilities of United States-China collaboration and cooperation—one of the most tragic cooperations, however, that we've

seen over the last 6 or 7 years has been that the United States and China have cooperated very aggressively at undermining the science of climate change and undermining, really, any international efforts. If you ask me, it's going to be a race about which ultimate inheritance is going to be most damaging from the Bush administration, and it's a race—it's a close race between Iraq and climate change. It's a big issue, and it's one that the next administration has to attack, right off the bat.

Last, you alluded to this in your excellent comments at the outset, both of you, Mr. Chairman and Senator Lugar. The problem for China policy is that we, here in this room, and others, can agree about how nuanced and subtle a policy it's going to need to be, but the truth is, it's a very complicated sell to the American people. And it's—and the relationship with China is going to be unlike any big relationship we've had with a major power in our history. If you look at the Soviet Union, it was monochromatic, black and white, good/bad. The way that Richard and Harry describe it is much more sophisticated than I could, but it's much—it's monochromatic, we're going to be having areas where we're going to cooperate very closely, and we're going to have areas that we're going to compete.

I actually think that we can manage that if it's simply the executive branch doing business, but we all understand that that's not how the U.S. Government works. We work in a very important collaboration with the legislative branch, but we also have to bring the American people along. And the thing that has struck me the most, of all the discussions that I've had with people outside of Washington, is not the debate about Iraq, but the debate about China. I hear many more concerns about China policy.

I'll just end with a quick anecdote. I was fishing in Alaska last year with Joe Nye and others, and we were talking with some of our guides about China. And our guide was very angry, and he said, "Look, the Chinese are trying to kill my dogs," and he was very worried, because the food that we had imported from China—obviously, dog food—has poisons laced in it. And we proceeded to have a discussion, and the level of knowledge and unhappiness across a broad range of issues really struck me.

It's not just going to be cobbling together and basically developing a coherent, synthetic policy, it's going to be bringing the American people along that is the real challenge.

Thank you very much for this opportunity, Mr. Chairman.

[The prepared statement of Dr. Campbell follows:]

PREPARED STATEMENT OF DR. KURT CAMPBELL, CHIEF EXECUTIVE OFFICER, THE CENTER FOR A NEW AMERICAN SECURITY, WASHINGTON, DC

Chairman Biden, Ranking Member Lugar, distinguished members of the committee, it is an honor to appear before you today to discuss the strategic challenges confronting the United States over the course of the next decade and beyond in the Asia-Pacific.

A trip through Asia, even a relatively brief one, reveals some disquieting concerns over the current American position in the region. In these waning months of the Bush administration, with the country bogged down and preoccupied in Iraq, the United States faces an unpalatable choice posed by the "Siberian dilemma" in Iraq. Just what is the Siberian dilemma and how does it apply to the unforgiving urban battlefields of Iraq? And more to the point, what does this have to do with Asia?

The fishermen of northernmost Russia go out onto the frozen lakes of Siberia in temperatures approaching 60 degrees below zero centigrade to fill their catch. They know from experience that the biggest fish congregate at the center of lakes where

the ice is the thinnest. They slowly make their way out across the ice listening carefully for the telltale signs of cracking. If a fisherman is unlucky enough to fall through the ice into the freezing water, he is confronted immediately with what is known as the Siberian dilemma. If he pulls himself out of the water onto the ice, his body will freeze immediately in the atmosphere and the fisherman will die of shock. If, however, he chooses to take his chances in the water, the fisherman will inevitably perish of hypothermia. Such is the stark choice presented by the Siberian dilemma.

With sand instead of ice, President Bush faces a kind of Siberian dilemma of his own making when it comes to his political and diplomatic efforts with regard to Iraq. We are now entering the most consequential phase of the unpopular war, and America's power and prestige (as well as President Bush's legacy) hang in the balance.

Some of the President's closest advisers have told him to spend all his waking hours on selling an increasingly skeptical American populace on the necessity of continuing with the war—a war that many expect to end badly despite all the effort, attention, and sacrifices of those engaged in the conflict. Another set of advisers argue that the United States must begin to put Iraq in context and focus on other issues of importance, such as the drama playing out in Asia and in particular China's dramatic ascent. If we don't begin to engage more seriously on other critical global issues—these policy wonks claim—the United States risks not only a major setback not only in Iraq but on other consequential global playing fields spanning Asia, Africa, Latin America, and even Europe. However, through this course of action, the United States risks inadvertently sending the message that it is giving up on Iraq at a critical juncture.

This set of very bad choices approximates a Siberian dilemma for America. To date, the administration has chosen fundamentally to stay in the sands of Iraq—and basically hope for the best elsewhere. This choice is highlighted by a lack of strategic clarity and engagement in Asia. For instance, it was commendable that the President managed to make it to the APEC leaders summit in Australia (after a detour to Iraq), but unfortunately he chose to depart a day before the meeting concluded and skipped the preceding ASEAN summit for heads of state. On the last day of the APEC summit, the chair reserved for the President of the United States was conspicuously empty as the powers of the Asia Pacific—China, India, Japan, and others—looked on. This is precisely where China has been most apt at filling America's void in the region—by engaging in constant high-level meetings and shaping regional agendas.

This absence is compounded by the nonattendance in recent years of United States officials, including the Secretary of State, at numerous other regionwide sessions like the ASEAN Regional Forum and the most recent round of the Australia-U.S. Ministerial Consultations. It used to be that the United States needed strong bilateral relationships before venturing into the territory of multilateral forums. Increasingly, however, the reverse is true. Active participation in the new multilateral structures of Asia is necessary and important for effective management of bilateral ties and impending security challenges in the region.

While the Bush team has made significant progress in broadening and strengthening our bilateral alliances with Australia, Japan, and South Korea and tried gamely to develop strategic collaboration with India, the usefulness of these efforts has been challenged by a growing perception in Asia that America just does not understand the significance of China's rise and Asia's ascent.

The epicenter of global power is no longer the Atlantic but the Pacific. China's ascent has arguably been one of the most rapid and consequential in history, in many ways rivaling or even surpassing the significance of America's rise in stature during the first two decades of the last century. Rarely in history has a rising power gained such prominence in the international system at least partially because of the actions of—and at the expense of—the dominant power, in this case the United States. The arrival of the Pacific century has hastened challenges to American influence and power in the greater Asia-Pacific.

From India to Australia, Asia, more than any other part of the globe, is defined by opportunity: Democracy continues to spread beyond the traditional outposts of Japan and South Korea; the continent now accounts for almost 30 percent of global GDP; and the world's most wired and upwardly mobile populations are Asian. Asian visitors to the U.S. now often complain about the poor quality of American-wired networks when compared with the dramatic innovations of online and mobile communication in Asia.

Home to more than half the world's population, Asia is the manufacturing and information technology "engine of the world." Asians are shaping a world that is ever more integrated. New regional forums like the East Asia summit and the Boao

Forum for Asia (an Asian Davos of sorts that brings together the political and economic elites of the region) are reshaping cooperation and fostering deeper ties. For instance, this year's Boao Forum enabled high-level contact between Taiwan's Vice President Vincent Siew and Chinese Premier Hu Jintao. Free trade agreements are rapidly integrating Asian economies. Amidst this integration, 21st century Asia is rich with innovation. The latest gadgets and most dynamic Internet communities exist in Asia, where customers expect cell phones to stream video and conduct financial transactions. Asia is also investing like never before. Asian countries lead the world with unprecedented infrastructure projects. With over $3 trillion in foreign currency reserves, Asian nations and business are starting to shape global economic activity. Indian firms are purchasing industrial giants like Arcelor Steel, as well as iconic brands of its once colonial ruler like Jaguar and Range Rover. China, along with other Asian financial players, injected billions in capital to help steady American investment banks like Merrill Lynch as the subprime mortgage collapse unfolded. All the while, these nations are developing and industrializing at unprecedented rates. Asia now accounts for over 40 percent of global consumption of steel and China is leading the pack by consuming almost half of global concrete.

Yet Asia is not a theater of peace: Between 15 and 50 people die every day from causes tied to conflict, and suspicions rooted in rivalry and nationalism run deep. The continent exhibits every traditional and nontraditional challenge of our age: A cauldron of religious and ethnic tension; a source of terror and extremism; the driver of our insatiable appetite for energy; the place where the most people will suffer the adverse effects of global climate change; the primary source of nuclear proliferation; and the most likely arena for nuclear conflict. Importantly, resolution and management of these challenges will prove increasingly difficult—if not impossible—without strong United States-Chinese cooperation.

However, even Beijing remains uncertain about how best to manage the still-powerful independence movement in Taiwan. The issue presents an acute dilemma for China's leaders, whose individual and collective legitimacy could be undermined either by the "loss" of Taiwan or by the problems that would ensue from a military conflict over the island. Chinese authorities perceive a realization of its fears in U.S. efforts to promote a cooperative network of regional ballistic missile defense programs, which Beijing fears could lead to a de-facto United States-Australia-Japan-ROK-Taiwan collective defense alliance. This is a strategic competition that the United States can only engage in effectively with an appropriate balance of renewing our soft-power efforts and rebalancing our military commitments to reassure our friends and allies and dissuade potential adversaries from taking provocative actions.

SOFT POWER AND TRADE

In order for Chinese leaders to meet their goal of great power status, Beijing has embarked upon a global effort to expand its influence and credibility. China is attempting to cultivate its image and attractiveness—perhaps to counter America's monopoly on soft power—for example, by building over 100 Confucius Learning centers from South Korea to Kenya to Argentina. China is also buying other powers' allegiance away from Taiwan; building road, rail, and energy infrastructure through Central Asia; and securing exclusive rights to energy throughout Africa and South America—most observers agree that this pattern shows a loss of U.S. influence in the region to China.

Even though China has always had a popular cultural following, that following is now achieving a global scale. For example, China received its first Nobel Prize in Literature—awarded to the controversial poet laureate, Gao Xingjian—in 2000; foreign students studying in Chinese universities trebled from 36,000 to over 110,000 over the past decade; and the rise to stardom of China's basketball superstar Yao Ming has resulted in China acquiring a sobriquet as basketball's "final frontier." Beijing is systematically and sophisticatedly increasing global knowledge about Chinese culture, philosophy, and language. These examples have become a central part of China's soft power playbook and will be boosted by its hosting of the 2008 Summer Olympic Games.

Many of China's gains in the Asia-Pacific are natural. After all, China is culturally, geographically, and historically the giant of the region. From Africa to South America, China is establishing strong bilateral relationships and funding development and economic assistance programs. China's "no strings attached" foreign assistance policy—referred to as the Beijing consensus—is attractive to many developing nations. These nations view China's historical struggle with poverty and industrialization as both inspirational and an alternative model to the more cum-

bersome Western approach to development with its emphasis on democracy and market liberalization.

Nowhere is China's presence more noticeable than in Southeast Asia, where the United States is often notably absent. Even though China's trade with ASEAN countries is less still than the U.S.-ASEAN trade relationship, prospects for China overtaking the U.S. are becoming more likely with the ASEAN-China Free Trade Agreement. In 2000, two-way ASEAN-U.S. trade totaled over $121 billion; the U.S. accounted for over 16 percent of ASEAN's total trade, the largest single-partner component. That same year, $32 billion in trade with China only accounted for 4.3 percent of the region's total. By 2005, the most recent year for which ASEAN has published statistics, trade with the U.S. rose to nearly $154 billion, a proportion equal to that of the other top partner, Japan, at 12.6 percent. Meanwhile, in those same 5 years, China more than tripled its trade with the region, to $113 billion, a number that now represents 9.3 percent of ASEAN's total. (The EU runs a close third, ahead of China, in 2005: $140.5 billion and 11.5 percent). To illustrate that this is indeed a long-term trend, it should be noted that while China's trade with ASEAN increased more than 13-fold between 1993 and 2005, America's doubled: $8.9 billion to $1.13 billion and $75.7 billion to $153 billion, respectively. At that rate of change, and absent unforeseen limits on China's capacity, parity between the U.S., Japan, the EU, and China is imminent, and China's assumption of the crown all but preordained.

There are many success stories of China's effective public diplomacy through Southeast Asia. Perhaps most illustrative is Beijing's decision to foot the bill for the reconstruction of Dili East Timor's war-ravaged capital that was all but leveled by intense fighting between East Timorese and the Indonesian military. East Timor is both a natural resource-rich state and an ideal staging ground for China's intensive public diplomacy campaign, one that showcases its benevolent foreign policy. China sees East Timor as a strategic investment in its expanding sphere of influence, and a potential source of rights to untapped natural resources. PetroChina got the contract rights to conduct seismic tests to determine the volume of oil and natural gas in the Timor Gap, potentially valued at $30 billion USD. Australian troops and U.S. and United Nations diplomats may have guaranteed Timorese freedom, but China provided the inhabitants of the new Presidential palace and the Ministry of Foreign Affairs building with resort-like offices.

All the while, China has been strategically securing mountains of American debt and treasury bills (T-bills). Recent reports indicate that China now owns over $388 billion USD in T-bills, almost 20 percent of the global total. China's financial stakes in the U.S. economy are disconcerting to many, but a major Chinese sell-off of T-bills seems unlikely because of the negative consequences it would impose on China's economy and its image as a rational actor. Furthermore, not only do Chinese exports provide affordable products to the American consumer, their possession of foreign exchange reserves—estimated at $1.6 trillion in March 2008—helps spur domestic economic growth in the U.S. and fund the U.S. Federal budget deficit. The wars in Iraq and Afghanistan are costing the American taxpayers hundreds of billions each year, and China continues to fund those war expenditures. Such dependency on Beijing is a double-edged sword that requires strategic reflection and possible adjustments to economic strategy.

Even though China has made miraculous gains in the region over the last two decades, there are problems on the horizon that could challenge its ascent and image. Most pressingly, Beijing needs to responsibly manage tensions and violence in Tibet if it wants to ease concerns around the region. The international community continues to challenge Chinese officials to think of the long-term implications of its heavy-handed approach to dissent and free expression. In the months leading up to the Beijing Olympics nations will continue to pressure China on the Tibet issue, but these countries must also understand that if they continue to constantly needle China, the chances for a miscalculated decision with disproportionate consequences remains a major concern.

MILITARY MODERNIZATION

Recent news reports of China building an undersea submarine base seem right out of a James Bond movie. China has been mysteriously building and modernizing its military forces—presumably to respond to a contingency in the cross-Straits, though regional powers such as India and Japan believe otherwise. Anxiety in the region is growing as China continues to invest billions advancing in its force projection capabilities.

According to the Department of Defense's annual report on China's military, "On March 4, 2007, Beijing announced a 17.8-percent increase in its military budget . . .

a 19.47-percent increase from 2006." This figure continues an average annual increase of 15 percent during the past 5 years in China's military spending, one of the few sectors that outpaces the country's economic growth. Since the late 1990s, the Chinese Government has accelerated efforts to modernize and upgrade the People's Liberation Army (PLA). The lack of transparency regarding Chinese defense expenditures obscures matters, but most foreign analysts estimate that the PRC spent between $97 billion and $139 billion on military-related spending in 2007 (up to three times the official Chinese budget figures of $45 billion, which excludes spending on military research and development, nuclear weapons, and major foreign-weapons imports). Despite China's significant military modernization, they have yet to publically articulate a "grand strategy" and continue to pursue nonconfrontational policies as laid out in Deng's "24 Character Strategy."

Whatever the true number, U.S.-led military operations in Iraq and the former Yugoslavia clearly have inspired the Chinese Government to pursue improved capacities for power projection, precision strikes, and the other attributes associated with the latest so-called revolution in military affairs (RMA): For example, the PLA has emphasized developing rapid reaction forces capable of deploying beyond China's borders, and the PLA navy (PLA–N) has been acquiring longer range offensive and defense missile systems and a more effective submarine force (which is stealthier and more operationally efficient). Chinese strategists have also sought to develop an "assassin's mace" collection of niche weapons that the PLA can use to exploit asymmetrical vulnerabilities in adversary military defenses, such as America's growing dependence on complex information technology.

Besides allowing the PRC to improve its traditionally weak indigenous defense industry, rapid economic growth has made China a prolific arms importer. Russia has been an especially eager seller. Recently acquired Russian weapons systems include advanced military aircraft (e.g., Su-27s and Su-30s) and naval systems such as Sovremenny-class missile destroyers equipped with SS–N–22 Sunburn antiship missiles, and improved Kilo-class diesel class attack submarines that would enhance a Chinese military campaign against Taiwan. According to a recent IISS report, China's Navy "has evolved from a purely coastal-defense force into one with growing oceanic capabilities, This has enabled it to change the way it views itself, its future trajectory and its role in Chinese national security." The PLA–N force includes 74 principal combatants, 57 attack submarines, 55 medium and heavy amphibious ships, and 49 coastal missile patrol craft. In addition, recent reports suggest that China is planning to develop a three-carrier battle group posture–a project that the PRC could start by decade's end. Moreover, PLA–N is advancing its "over the horizon" targeting capabilities with new radars, and developing a new SSBN (Jin-class) which may soon enter service.

China is also devoting more resources to manufacturing and deploying advanced indigenous weapons systems. The PLA has now fielded the indigenously produced DF–31 and DF–31A intercontinental ballistic missiles, which are especially important because their mobility makes them hard to destroy. China's Air Force modernization programs continue. China's indigenous J–10 system is now being followed up with a supposed fifth generation multirole J–12. These platforms will complement the existing 490 combat aircraft "within unrefueled operational range of Taiwan," as well as the modernization of the FB–7A fighter-bomber. China's space program has resulted in its acquiring new surveillance, communication, and navigation capabilities critical to coordinating military operations against Taiwan or other contingencies beyond Chinese territory. China's successful attempt to destroy an aging weather satellite in January 2007, followed by the launch of a lunar module in fall 2007, demonstrated a significant jump in China's antispace assets.

Although China's military buildup appears to be primarily motivated by a potential Taiwan contingency, many of its recent acquisitions could facilitate the projection of military power into more distant threats of great importance to the United States, including Japan, India, Southeast Asia, and Australia. Some of the missile, air, and increasingly mobile ground forces directed at Taiwan could be deployed to multiple points on China's periphery. The soon-to-be-fielded conventional land-attack cruise missiles, which could be deployed on China's new Type 093 nuclear-powered submarines, will give China a limited but useful global power-projection capability. In addition, Russia is now marketing Tu-22 Backfire and Tu-95 Bear bombers to the PLA, which could enable it to conduct air strikes against distant targets in Southeast Asia and elsewhere. Many PLA navy commanders still desire the acquisition of an aircraft carrier fleet, a traditional symbol both of global power-projection capabilities and great-power status. The Chinese presence in Gwadar, Pakistan, located opposite the vital energy corridors of the Strait of Hormuz, also has a strategic dimension. For several years, China has been pursuing a "string of pearls" strategy to gain access to major ports from the Persian Gulf to Bangladesh, Cambodia, and

the South China Sea. China's neighbors are wary. A career Japanese diplomat recently wrote, "If China's military expansion remains nontransparent and continues at its current pace, states with interests in East Asia will, at some point, begin to perceive China as a security threat. Institutionalized trilateral security dialogue among Japan, the United States, and China would be one way to minimize such threat perceptions." American involvement is key to such efforts to build trust and reduce tension.

None of these developments is surprising; great powers expect to have strong militaries, and the United States certainly appreciates the logic of this position. But great powers often seek to disrupt the status quo with such capabilities. Secretary of Defense Robert Gates has taken a conciliatory, though cautious, approach to Chinese military modernization. His visit to China, heralded as a success by many, broadened the scope of military-to-military cooperation and established a direct hotline between both nations should a crisis arise. Gates' remarks at the Forbidden City further emphasized the need to develop cooperative relations—a view that is consistent with America's strategic objectives in the region. Gates' visit and the consistent efforts of the United States Pacific Command to engage China could be the first step toward getting more than declarations of China's intention to be a good actor. The U.S. will need to convince PLA leaders that transparency, not uncertainty, will be key to avoiding miscalculation in the future, particularly as the seas grow more crowded with more capable naval forces.

Unfortunately, the Chinese decision to deny harbor to the USS *Kitty Hawk* on Thanksgiving Day 2007, and its refusal to allow shelter to U.S. minesweepers in duress suggest to some that Beijing is beginning to behave provocatively. These incidents, added to the successful direct ascent antisatellite test in January, mass collection of U.S. Treasury bills and, relentless hacking of Pentagon and other U.S. computer systems, underscore a potentially adventurous Chinese military policy toward America. Individually, these events are perhaps inconsequential, but in sum, they indicate a pattern of change in China's behavior.

RECOMMENDATIONS

The concurrent challenges of fighting the war on terror and learning how to live with a rising China will require starkly different government efforts and capacities. Either one on its own would be daunting, and taken together, may prove overwhelming. The violent struggle with Islamic jihadists is now an inescapable feature of American foreign policy, while relations with China involve a complex mix of cooperation and competition but are not necessarily destined to degenerate into open hostility. American policymakers must better understand the risks associated with a myopic foreign policy focus and better balance commitments from South America to the Middle East to Asia.

Perhaps it will be prudent for American strategists to consider how best to balance and shape these simultaneous challenges. For instance, Chinese cooperation in the global war on terrorism should be a main feature of American diplomatic strategy with Beijing, given that the PRC has as much to lose from the jihadists' success as the United States. Southeast Asia is likely to be a major battleground for hearts and minds between moderate Muslims and radical Islamic instigators, and China has a major stake in seeing the former prevail.

Moreover, policymakers must articulate a realistic and pragmatic China policy. Concerns ranging from consumer safety to worries about significant economic downturn have give trade skeptics in Congress the necessary ammunition to hold up critical free trade agreements and elevated concerns in Beijing. China's secretive military modernization program and assertive provocations, such as its antisatellite test in 2007, have raised tremendous concern amongst conservative foreign policymakers. America's strategic engagement with China will have to balance between trade skeptics and conservative voices that prefer containment and hedging over collaboration and concord.

Conducting an effective China policy will involve more than just interacting with Beijing. America must commit to engaging in bilateral dialogue and cooperation on trade-related issues while encouraging Beijing to make the necessary adjustments in its export standards, intellectual property rights law—including revaluation of the Yuan. More importantly, Beijing and Washington need to develop stronger military-to-military contacts. Secretary Gates' forward-looking decision to create a hotline between the two countries has been heralded across the Asia-Pacific for reducing risks associated with miscalculation.

In order for China to be compelled to act as a "responsible stakeholder" it will prove increasingly important for policymakers to devise a strategy that is capable of ensuring the maintenance of American power and influence in the Asia-Pacific

for the foreseeable future. It must be embedded within an overall policy toward Asia that uses ties with key allies to act as a force multiplier for U.S. interests throughout the region. Such a strategy should include the following elements:

(1) Reassert American strategic presence

Clarity from a new administration should come immediately, with strong statements that emphasize Asia's permanent importance to the United States. The next President should focus on the global challenges and prospects for cooperation in the Asia-Pacific and communicate a vision of a region that is as integral to U.S. well-being as Europe is. A clarifying reference to America's position on Taiwan must complement an articulation of America's desire to expand bilateral ties with mainland China. This is particularly important in the Asia-Pacific where strategic competition may prove more likely in the coming years as both the "Middle Kingdom" and India reemerge as global powers.

(2) Maintain strong bilateral ties

A regional plan is only as strong as the bilateral relations underpinning it. While it is true that bilateral alliances will increasingly prove less capable of dealing with myriad challenges in the region, they will prove indispensible to managing traditional security challenges. The United States must continue to build strong bilateral relations with Australia, India, Japan, South Korea, Indonesia, and Taiwan. In particular, Japan will remain the foundation for America's presence in the Asia-Pacific and our cooperation must deepen beyond the successes of the Bush administration.

(3) Showing up: Get in the game and engage more actively in regional and multilateral forums

The next National Security Council and Secretaries of State and Defense must not only recognize the importance of attending high-level meetings in Asia, but must actively schedule meetings and summits that will further American strategic interests. The State Department must enunciate an interagency attendance policy for meetings in the Asia-Pacific, and ensure that an Assistant Secretary or higher is present at every meeting. To alleviate the potential strains of such a policy, we recommend a reorganization of the authority of the Under Secretary of State for Political Affairs. The U.S. must also encourage trilateral talks at the ministerial level; dialogue between the U.S., China, and Japan, or between the U.S., Japan, and ROK could prove particularly productive.

(4) Reexamine military engagement

The United States must maintain a forward deployed military presence in the region that is both reassuring to friends and a reminder to China that we remain the ultimate guarantor of regional peace and stability. Military presence is essential for credibly backstopping American alliances and other security commitments in the region. More positively, we should make clear our eagerness to work with all Asian countries, including China, in pursuit of common security objectives such as countering terrorism, piracy, and WMD proliferation. Joint peacekeeping operations involving China, Japan, South Korea, and other countries could also provide opportunities for expanded security dialogue among the participants.

(5) Broadening the agenda

Focusing on traditional security concerns alone may limit the United States ability to pursue a broad spectrum of interests in Asia. The primary focus for Asian nations is not security but economics. Meanwhile, the challenges of global climate change and energy competition will become more and more prevalent over time. The complex intersection of all these issues will require cooperative international solutions. In particular, America must continue to pursue the establishment of a bilateral United States-China framework for energy conservation and cooperation.

CONCLUSION

Much of the American approach to foreign policy in the cold-war era was characterized by a degree of bipartisanship. In Senator Vandenburg's immortal words, bitter divisions often stopped "at the water's edge." Bipartisanship has been conspicuously absent in current debates and this internal divisiveness hampers our effectiveness in the formulation and execution of American foreign policy. Given the magnitude of what lies ahead, a concerted effort to rediscover some common ground in American politics (at least when it comes to foreign policy) may indeed be one of the most important ingredients for a successful foreign policy balancing act.

China's rise to a sustained great power status in the global arena is not preordained, nor is it necessary that the United States and China will find themselves at loggerheads over Taiwan, increasing trade frictions, regional rivalry in Asia, or

human rights matters. The United States and China are currently working together surprisingly well on a wide array of issues. However, so long as China's intentions and growing capabilities remain unclear, the United States and other nations in the region will remain wary.

The next President, Democrat or Republican, will face tremendous challenges in the Asia-Pacific that will increasingly involve China. Establishing a foundation and framework for cooperation will prove critical to ensure stability and security in the region.

I once again would like to thank you for the opportunity to testify before this distinguished panel.

The CHAIRMAN. You make me feel very good that I dropped out of the race. [Laughter.]

Dr. Harding.

STATEMENT OF DR. HARRY HARDING, UNIVERSITY PROFESSOR OF INTERNATIONAL AFFAIRS, THE ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS, GEORGE WASHINGTON UNIVERSITY, WASHINGTON, DC

Dr. HARDING. Thank you, Mr. Chairman and Senators. It's a great honor to be with you this afternoon.

So many interesting things have been said that I'd love to comment on, but let me first summarize my statement for you.

The CHAIRMAN. Thank you.

Dr. HARDING. As you know, I was asked to testify about the prospects that China will become a so-called "responsible stakeholder" in the international system. And, as you also know, that objective was put forward by then-Deputy Secretary of State Bob Zoellick, one of John Negroponte's predecessors, in a speech that he delivered in New York back in September 2005. And, as I look at American policy toward China, I think that concept has joined some others as the central elements of American policy toward China: Our policy of engagement—that is, engaging China in a robust dialogue on bilateral issues; hedging against the risks inherent in China's uncertain future; and promoting a peaceful evolution of the relationship across the Taiwan Strait. So, it's not all of United States policy toward China, but it's become a very important part of it.

I see this concept as an extension and an updating of the earlier concept of integrating China into the international order. That policy, in turn, was based on the assumption that our objectives with regard to China could be better served, and the predictability of China's international and domestic conduct could be increased, if China were brought into the full range of international regimes and organizations for which it was qualified, as well as extensively integrated into the global economy. There are a lot of examples of this policy, but probably the most obvious involves the long, difficult, but ultimately successful negotiations over China's membership in the World Trade Organization.

Now, with the support and encouragement of the United States, China's now become a member of virtually all the international regimes for which it's qualified. And, therefore, the process of integration is basically over—not entirely, but it's largely completed. And so, the issue, as Bob Zoellick rightly suggested, is no longer securing China's membership, but encouraging it to be something more, what he called a "responsible stakeholder." This means not only honoring the rules and norms of the system, but also enforcing them when others violate them, and assisting those who wish to

join the system but who lack the capacity to do so. It means, in other words, not simply passive membership, but active participation. It means accepting the burdens and responsibilities of being a major power with a stake in international peace and stability, rather than simply being a free rider on the efforts of others.

Now, China has reacted to the concept of responsible stakeholding with some ambivalence. On the one hand, it appreciates that the United States is thereby seeking a positive relationship with China. The concept suggests that we can accept, and even welcome, the rise in Chinese power and Beijing's growing role in the world. It certainly is seen by the Chinese as preferable to the Bush administration's earlier idea that China would be a strategic competitor of the United States, as was expressed during the campaign of 2000 and in the early months of 2001.

However, Beijing also perceives, largely correctly, that America's more accommodative posture, as expressed in this concept, is conditional. China will be expected to honor international norms and respect international organizations that it did not create and that it may sometimes question. And even more worrying from Beijing's perspective is the prospect that the United States is reserving the right to be the judge as to whether Chinese behavior on particular issues is sufficiently responsible or not.

Now, my written statement discusses Beijing's willingness to comply with and enforce some of the most important norms that lie at the heart of that community. I won't go into the details here. As you know if you've read the statement, I deal with four such norms and regimes: Self-determination, development assistance, human rights and human security, and nonproliferation. Let me summarize my analysis in the following conclusions, and then turn to some of the recommendations for U.S. policy.

My conclusions represent, as is so often the case with China, a very complex and very mixed picture. There is always a "but" or "on the other hand" somewhere in the conclusions.

First, China has come increasingly to accept a wide range of international norms and institutions, including some that it vigorously rejected during the Maoist era. These include the norms restricting the proliferation of weapons of mass destruction, and some of the norms governing human rights and human security. But, China still defines some of these norms differently than does the United States, including those governing human rights and official development assistance, and it continues to resist still others, particularly the right of self-determination and the norms governing trade and arms other than weapons of mass destruction.

Second, China believes that the enforcement of norms should be constrained by a continuing commitment to the countervailing principle of national sovereignty. That's the point that Richard made a few minutes ago. Thus, for example, it believes that violations of human rights are a legitimate concern for the international community only if one or more of three conditions are met: When the violations are extraordinarily serious, as in the case of apartheid or genocide or severe internal conflict; when the violations of human rights have effects that spill across borders and thus threaten international peace and stability; or when the government of the state in question requests or accepts international action.

Otherwise, it regards public criticism of a country's human rights record, let alone sanctions to punish human rights abuses, as unwarranted intervention in the country's internal affairs.

Third, Beijing is generally slow to impose sanctions on offenders. It prefers first to try what it calls a more "cooperative" approach, that is, diplomatic dialogue with positive incentives provided alongside the prospect of sanctions. It regards sanctions as a last resort, and when sanctions are ultimately necessary, it tends to favor modest and voluntary ones over stringent mandatory ones, and economic sanctions over military intervention. That's why China always seems slow to act, from the American perspective.

And then, finally, in practice, China does what other countries do. It often has other interests, particularly commercial or security ties to the governments accused of violating international norms, that may sometimes lead it to try to block or moderate the imposition of international sanctions.

Given this mixed record, how can the United States persuade Beijing to be even more responsible than it is now? In my judgment, China is more likely to act responsibly under the following circumstances.

No. 1, when it sees that the norms in question are truly universal, obtaining support from the vast majority of states in both the developed and the developing world. This explains China's acceptance of some of the international norms governing human rights and nonproliferation. It did so when it realized these were not just the preferences of the United States and not just the preferences of the West or developed countries, but, indeed, the preferences of the majority of nations in the world.

Second, and perhaps most important, when China understands that international behavior in accordance with these norms would be in keeping with its own interests, and that behavior that violates those norms would pose a potential threat to China's own objectives. This is perhaps an even more important reason why China now supports the nuclear nonproliferation regime.

Third, when China sees that the international organizations that enforce the norms are widely regarded as effective and legitimate, even if they do not always endorse China's preferences. This explains Beijing's increasing willingness to take security issues to the U.N. Security Council and to take trade issues to the WTO.

Fourth, when Beijing knows that it will be isolated from countries whose opinions matter if it obstructs the enforcement of the norms. This is the lesson to be drawn from the embarrassment that China recently suffered when it tried to transport conventional arms to Zimbabwe and found its ship turned away from nation after nation in Southern Africa.

And finally, when China sees that other major powers, including the United States, also abide by the norms that they expect China to honor.

In addition, one last point, which I think one of my colleagues has already made. As new norms are written—norms are an evolving thing in international affairs, they aren't carved in stone forever—as new norms are written to meet new challenges, or when outmoded ones are revised to meet new circumstances, if Beijing is to be regarded as a responsible stakeholder in the international

system, it should be invited to participate in the norm-drafting process, not as a decider, and not with a veto, but as a participant. If a major power like China is to be discouraged from being a rulebreaker, or even simply a nation that tolerates, passively, rulebreaking by others, then it should be treated as a rulemaker, and not simply as a ruletaker.

Thank you very much.

[The prepared statement of Dr. Harding follows:]

PREPARED STATEMENT OF DR. HARRY HARDING, UNIVERSITY PROFESSOR OF INTERNATIONAL AFFAIRS, THE ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS, THE GEORGE WASHINGTON UNIVERSITY, WASHINGTON, DC

I've been asked to testify today about the prospects that China will become a "responsible stakeholder" in the international system—the objective of American policy defined by then-Deputy Secretary of State Robert Zoellick in a speech he delivered to the National Committee on United States-China relations in New York in September 2005. Along with our policies of engaging China in regular and robust negotiations on bilateral issues, hedging against the risks inherent in China's uncertain future, and promoting a peaceful evolution of the relationship across the Taiwan Strait, encouraging China to become a "responsible stakeholder" in international affairs has become one of the central elements in present American policy toward China.

THE CONCEPT OF "RESPONSIBLE STAKEHOLDING"

Our goal of seeing China become a "responsible stakeholder" in the international system is an extension and updating of the Clinton administration's earlier policy of integrating China into the international order. The policy of integration reflected the assumption that our objectives with regard to China could be better served, and the predictability of China's international and domestic conduct increased, if China were brought into the full range of international regimes for which it was qualified, as well as extensively integrated into the global economy. The most obvious example of this policy was the long, difficult, but ultimately successful negotiations over China's membership in the World Trade Organization. But there are other examples as well: Securing Chinese endorsement of the norms that govern nonproliferation and human rights, supporting China's membership in regional economic and security organizations, and even the decision to endorse Beijing's bid to host this year's Summer Olympic Games.

But now, China has become a member of virtually all international organizations, excepting primarily only those that require members to be developed economies (the OECD, the International Energy Agency, and the G–7), plus a few nonproliferation regimes (the Missile Technology Control Regime; the Wassenaar Agreement, governing conventional arms and dual-use technologies; and the Australia Group, governing technologies that produce chemical and biological weapons). And, as the levels of trade and capital flows to and from China so amply demonstrates, China has certainly become a major participant in the global economy. The process of China's formal integration into the international system has been largely completed.

The issue now, as Zoellick rightly suggested, is no longer securing China's membership in the international system, but encouraging it to become a "responsible stakeholder." By this is meant not only honoring the rules and norms of the system, but also enforcing the norms when others violate them, and assisting those who wish to join the system but lack the capacity to do so. It involves active participation, not simply passive membership. It entails accepting the burdens and responsibilities of being a major power with a stake in international peace and stability, rather than being a free rider on the efforts of others.

China has reacted to the concept of "responsible stakeholding" with some ambivalence. On the one hand, Beijing appreciates that, in calling on it to become a "responsible stakeholder," the U.S. is seeking a positive relationship with China. The concept suggests that the U.S. can accept—and even welcome—the rise of Chinese power and Beijing's growing role in the world if it acts responsibly. The Bush administration's view of China as a prospective stakeholder in the international system as expressed in 2005 is certainly preferable to its view of China as a strategic competitor of the United States as expressed during the early months of the administration's first term in 2001.

However, Beijing also perceives, largely correctly, that America's more accommodative posture is conditional. China will be expected to honor international norms

and respect international organizations that it did not create and that it may sometimes question. And, even more worrying from Beijing's perspective, is the prospect that the United States is reserving the right to be the judge of whether or not Chinese behavior on particular issues is sufficiently "responsible."

CHINA'S CONDUCT AS A RESPONSIBLE STAKEHOLDER

In the short space of time available to me here, I cannot offer a comprehensive issue-by-issue or region-by-region assessment of the extent to which China is acting as a "responsible stakeholder" in the international community. What I can do is to discuss Beijing's willingness to comply with and enforce four sets of norms that lie at the heart of that community. I will not discuss China's compliance with its obligations to the World Trade Organization, since I understand that will be covered in a separate hearing. Rather, I will deal with four other norms and regimes:

- Self-determination
- Development assistance
- Human rights and human security
- Nonproliferation

Together, these norms cover most of the specific issues about which the U.S. is concerned, from Taiwan to Iran and from North Korea to Sudan. I will discuss the norms in the order in which China is willing to accept, uphold, and enforce them, from less acceptance to more.

Self-determination

Of the four sets of norms under consideration here, the norm of self-determination, most recently invoked by those who support the independence of Kosovo from Serbia—is the most worrying to China. Ironically, the norm was a key element in Chinese foreign policy in the 1950s, 1960s, and 1970s, when Beijing could apply it to support independence for Western colonies in Asia, Africa, and Latin America. But today, when there are few colonies left, the concept is primarily applied to parts of states that—often for reasons of ethnicity or identity—want independence or greater autonomy from the national government that exercises sovereignty over them. Beijing is now intent on ensuring that such the principle is not applied to Taiwan, Tibet, or other parts of what it regards as Chinese territory. What was once praised as a principle when it justified the desire of a people to assert independence from colonial rule is now denounced when it can be invoked to justify "splittism" against a legitimately constituted nation-state.

This is not to say that China's opposition to self-determination is absolute. Beijing has accepted the independence of Timor-Leste (East Timor) from Indonesia, as well as the independence of the former Soviet Republics from Russia. It may even tolerate the independence of Kosovo from Serbia, particularly if Kosovo refrains from recognizing Taiwan or supporting Taiwanese independence.

But China would prefer that self-determination be applied only when it has obtained the consent (even if nominal) of the national government in question. If Indonesia was willing to permit the independence of East Timor, China will not object. But since China will not permit the independence of Taiwan or Tibet, the rest of the international community has the right to apply the principle of self-determination in those cases.

Development aid

In recent years, China has markedly increased its official development assistance (ODA) to the Third World, with a particular focus on providing that aid as part of a package that also includes Chinese direct investments in projects to extract energy and other natural resources, and often in the transportation infrastructure that can facilitate the export of those resources to China.

China has tried to differentiate its aid from that provided by Western countries and the major international financial institutions (particularly the World Bank and the IMF) by claiming that its ODA is unconditional—that it does not require that the recipient governments meet certain standards of performance in order to receive the aid. Strictly speaking, of course, it is inaccurate to describe China's aid as unconditional. As just noted, much Chinese ODA is tied to commercial projects, even if not conditioned on standards of good governance. Still, Beijing presents its aid policy as avoiding any temptation to interfere in the recipient country's internal affairs.

But is this policy sustainable? Already, it is clear that China runs a significant international risk by providing large amounts of aid to rogue regimes. As the case of China's attempt to ship small arms to Zimbabwe illustrates, this risk comes not just from the U.S. and other Western powers, but from other developing countries

in the region as well. In addition, Beijing may also run reputational risks at home, if its citizens begin to perceive that their national treasure is being misused by corrupt governments because of the absence of conditions on its use, or that foreign investment in unstable states encounters unanticipated and unacceptable costs and risks.

Already, there are signs that Beijing may be willing to discuss minimal performance standards for ODA—as well as the concept of corporate social responsibility (CSR) as applied to the activities of Chinese companies operating or investing abroad. This provides some hope that China will see the advantages of becoming more responsible on the issue of development aid.

Human rights

China's position on international human rights has evolved dramatically over the last 30 years. It has come to accept the idea that there are universally accepted human rights—a departure from the Maoist position that the West's definition of "human rights" embodied "capitalist" or "bourgeois" concepts that could not be applied to China, to other socialist states, or even to developing countries. It has even begun to accept the proposition that this universal definition of human rights includes political and civil rights as well as economic and social rights, even though it has not yet ratified the international convention governing the former.

Despite Beijing's growing acceptance of the concept of universal human rights, however, there remain significant gaps between its position and that of the United States. China continues to insist that human rights, although universal, are not absolute. Their promotion must be weighed, Beijing says, against other considerations, particularly political stability and economic development. It also argues that political and civil rights can only be implemented gradually, at higher levels of economic development and greater degrees of political stability. There is also the strong possibility that China is trying to develop a new model of politics that it will call "democratic," but that will not include the elements of pluralism, contestation, and direct elections that the U.S. regards as essential parts of the definition of democracy.

Even more important for our purposes is Beijing's ambivalent attitude toward international enforcement of human rights in countries where they are being violated. China's present position is that international action through economic sanctions or humanitarian intervention is acceptable under only three conditions:

- When the violations of human rights are extraordinarily serious, as in the case of apartheid, genocide, or severe internal conflict;
- When the violations of human rights have effects that spill across borders and thus threaten international peace and stability; or
- When the government of the state in question requests or accepts international action.

More recently, China has been increasingly willing to subject lesser human rights to international criticism or diplomatic representations, as when it urged the Burmese Government to promote the "normalization" of political life or encouraged the North Korean Government to engage in economic reform and opening. But, again because of concern about its own domestic situation, China is not willing to accept the imposition of sanctions, let alone military intervention, in these lesser cases. Unless one of the three conditions listed above is met, China regards economic sanctions or humanitarian intervention as an unacceptable violation of the sovereignty of the country in question.

Proliferation

China has increasingly accepted the international norms governing the proliferation of weapons of mass destruction (WMD), largely because Beijing has come to understand that China's own interests might well be threatened by such proliferation. It remains, however, less supportive of norms that govern the proliferation of other weapons systems, including missile technology and conventional arms. And its domestic enforcement of the norms it has accepted, such as those governing the export of precursors for chemical and biological weapons, has not always been adequate.

The main issue, however, is China's attitude toward the enforcement of nonproliferation norms when they are being violated by other states, particularly those such as North Korea and Iran that are seeking to develop nuclear weapons. In general, China has insisted that all states—even those that the U.S. regards as rogue states—have the right to undertake civilian nuclear programs, if they are subjected to the requisite international safeguards. When violations are suspected, Beijing is relatively slow to accept the need for sanctions, preferring to try what it calls a more "cooperative" approach—i.e., diplomatic dialogue, with positive incentives provided alongside the prospect of sanctions. It regards sanctions as a last resort—and, when sanctions are ultimately necessary, it tends to favor modest and voluntary

sanctions over stringent and mandatory ones, and economic sanctions over military intervention. Of course, China also prefers that decisions to impose sanctions to be made by the United Nations, or at least a regional body with universal membership, rather than unilaterally by a single nation (particularly the United States), or even by a group of nations that it regards as unrepresentative.

Generalizations

What do these four sets of international norms tell us about the probability that China will become a more "responsible stakeholder" in the present international system, as envisioned by current American policy? Let me conclude with the following generalizations:

- China has come increasingly to accept a wide range of international norms and institutions, indulging some that it vigorously rejected during the Maoist era.
- But it still defines some of these norms differently than does the U.S., including those governing human rights and official development assistance, and continues to resist still others, particularly the right of self-determination and the norms governing trade in arms other than weapons of mass destruction.
- China believes that the enforcement of norms should be constrained by a continuing commitment to the countervailing principle of national sovereignty.
- And, in practice, China often has other interests—particularly commercial or security ties to the governments accused of violating international norms—that lead it to try to block or moderate the imposition of international sanctions.
- In so doing, Beijing can invoke its general preference for diplomatic initiatives over sanctions and for milder sanctions over harsher ones.

CONCLUSION: WHEN DOES CHINA ENGAGE IN "RESPONSIBLE STAKEHOLDING"?

How, then can the U.S. persuade Beijing to be more responsible than it is now? China is more likely to act responsibly under the following circumstances:

- Beijing sees that the norms in question are truly universal, obtaining support from the vast majority of states in both the developed and developing worlds. This explains China's acceptance of some of the international norms governing human rights and nonproliferation.
- China understands that international behavior in accordance with the norms would be in keeping with its own interests, and that behavior that violates those norms would pose a potential threat to China's own objectives. This is perhaps the major reason why China now supports the nuclear nonproliferation regime.
- China sees that the international organizations that enforce the norms are widely regarded effective and legitimate. This explains China's increasing willingness to take security issues to the United Nations Security Council and trade issues to the WTO.
- Beijing knows that it will be isolated from countries whose opinions matter if it obstructs the enforcement of the norms. This is the lesson to be drawn from the embarrassment China recently suffered when it tried to transport conventional arms to Zimbabwe.
- China sees that other major powers, including the United States, also abide by the norms that they expect China to honor.

In addition, as new norms are written, or as outmoded ones are revised, if Beijing is to be regarded as a "responsible stakeholder" in the international system, it should be invited to participate in the norm drafting process. If a major power like China is to be discouraged from being a rule breaker or even simply a nation that tolerates rule breaking by others, then it should be treated as a rulemaker, and not simply as a ruletaker.

The CHAIRMAN. Thank you very much, gentlemen, for very good testimony.

Let me begin with you, Dr. Harding. Your—the five conclusions you reached—actually, it's six, the additional norm—the one that says "China understands international behavior in accordance with the norms would be in keeping with its own interests," isn't that the underlying rationale why we assume they're not—why—to make them a stakeholder, not a responsible stakeholder, just a stakeholder? In other words, as their economy grows, the free flow of oil becomes an important thing to them, so, where they may not have cooperated 10 years ago in keeping the Strait of Hormuz open

or the Persian Gulf flowing, we—they may very well be engaged in being willing to do that now. Whereas, 15 years ago, the idea of dealing with terrorist activity anywhere else in the world would not be something they would be inclined to do, the fact that they have their own internal problems, they may very well find it in their interest to do it.

So, is their emergence as an economy that increasingly and steadily increases the standard of living for their people, does that, in and of itself, bring along some promise, not of lack of competition with us economically, but in accepting some of the norms heretofore unwilling—that were prescribed and written before they got to be a player in writing the norms?

Dr. HARDING. I think that's an excellent question. I think that the key word is, indeed, "promise." There is a promise, there is a hope, there is even a——

The CHAIRMAN. Yeah.

Dr. HARDING [continuing]. Probability. And I think that is exactly the assumption, that China——

The CHAIRMAN. But, is it an assumption you operate on as you——

Dr. HARDING. It's an assumption that I operate on, that China does have a stake in the smooth operation of the international system, it has a stake in peace, and it has a stake in economic prosperity, precisely because it benefits from these things. And I think that China increasingly accepts that and understands it.

However, there is still a gap that they have to overcome. And let me simply identify two that I think are relevant here.

The CHAIRMAN. Please.

Dr. HARDING. One is that they do have it in their mind that these norms and institutions were written or created at a time when they were weak, or at a time when they were excluded from the international community, or at a time when they excluded themselves, as during the Maoist era. And therefore, there is a bit of a "not invented here" syndrome, and they have to be persuaded that these norms are in the interest of all, including those who did not write the rules——

The CHAIRMAN. Right.

Dr. HARDING [continuing]. As well as in the interest of those who wrote them. That's one——

The CHAIRMAN. I think that's a very——

Dr. HARDING. A second point is that the Chinese are, I think, just beginning to understand the risks that they face as a stakeholder. They concentrate almost obsessively on some, and they tend to ignore others. They have been absolutely obsessed with the idea that one day a President of the United States might pick up the phone, as they see it, and call ExxonMobil and say, "We're having some problems with China. Cut off their oil." And that leaves——

The CHAIRMAN. They don't know ExxonMobil like we know——

Dr. HARDING. I know. Their——

The CHAIRMAN [continuing]. ExxonMobil.

Dr. HARDING [continuing]. Their concern with that risk gives them this idea that, if only they could have equity stakes——

The CHAIRMAN. If only that were true.

Dr. HARDING [continuing]. In oil production in places like Sudan or in Iran, that they would avoid risk.

The CHAIRMAN. Yeah.

Dr. HARDING. Well, by acquiring such equity stakes they may reduce some risks, but they greatly increase others. And I think that they are also unaware of the risks of giving unconditional aid in Africa. It's a issue that you've been interested in. So, I think that they are still in the learning process of understanding the risks and threats to the stakes that they have in the international system.

The CHAIRMAN. One of the things I'm grappling with in trying to get a sense of what the equation here is—if you assume that the status quo, in terms of the political system within China were to be sustained and remain for the next 5, 10, 15 years, then it is easier to predict—nothing's easy—it's easier to predict, for example, the likelihood of acceptance of certain norms based upon the view of self-interest and whether they were ready. But, one of the things that seems to be—I hope, at least—is likely to fluctuate, as well, to change, is the status quo internally. Whether we, in fact, impact on it or not, I mean, it's going to—it is likely to change. And one of the things that I think the next—presumptuous of me to—one of the things I wonder about—in the calculations—because some of this is going to have to be fairly farsighted policy that we're going to engage in here—I mean, we're going to try to begin to implement in a new Democrat or Republican administration—is that—what are the odds that the substantial changes you talked about, Richard, how the world has changed, like you've heard me quote Yeats all the time—it's changed utterly; a terrible beauty's been born here—this is a different—and the change has not stopped; I mean, this is in motion—that, although I start off with the proposition—I'll further damage his reputation—of Dr. Haass, which is that I'm more concerned about changing their behavior than changing their system. But, as their system changes, if it changes, that obviously will have impact on their behavior. What that will be, I don't know.

So, I realize this is a fairly—it's hard to articulate it, in terms of a question—but what do we look at, in terms of the outside events, whether they're a consequence of just inevitable change or change that we've helped shape, on the makeup of the political system in Beijing—2, 5, 10, 12 years from now? Do you look down the road—for example, I look down the road, and I don't see a Saudi royal family, 20 years from now, having the same kind of authority and power it has in Saudi now. As the tides of history move, I just don't see that. I mean, just for me, just Joe Biden.

What do you guys, who really know this—what do you look at, what do you anticipate are the likely scenarios based upon assuming a relative stability, continued economic growth, expansion of their economy, expansion of their standard of living, on the domestic imperatives within China? Not what policy we should engage in, but—am I making any sense, what I'm trying to get at here? So, how do you guys, when you think about this, factor that in? What we heard today from you—is it basically predicated on "no substantial change in the status quo" internally within the Chinese political apparatus and system?

Anyway, if you can take a shot at it, I'd——

Dr. HARDING. First—yeah.

The CHAIRMAN [continuing]. Appreciate it. I realize it's awfully broad.

Dr. HARDING. Right. Well, I think the safest prediction about anything is, the status quo is not going to continue for, you know, 5, 10, 15 years. I see three trends that I would think are very highly likely in China. And there's some good news, and there's some bad news.

I think the first one has already been alluded to Secretary Negroponte, and that is that the Chinese leadership know that their development has to become more sustainable in many, many different ways. It has to be more environmentally sustainable, it has to be more economically sustainable, it has to be more politically sustainable. And I think, in that sense, we're going to see some progressive changes in China's domestic policy. They'll be slow, they'll be gradual, but I think that we will see, for example, a lower savings rate. That will be translated into a lower trade deficit. We'll probably see somewhat slower growth. So, I think that we'll see a different Chinese economy in 5, 10, or 15 years than we do today.

Second—and I've already touched on this—I don't think we're going to see democracy in this period of time, but I think we are going to see some political reforms that are going to open the system up to greater input from inside the party, from government legislatures, even from ordinary citizens. It won't be pluralistic, it won't be competitive, in terms of a multiparty system, but I think that it will be somewhat more responsive to a very wide range of interests, some of which will be compatible with the interests of the United States, and some will not.

And that leads to my third trend, and that is that alongside foreign policy nationalism—I think we're going to see increasing economic nationalism——

The CHAIRMAN. Right.

Dr. HARDING [continuing]. In China. We're going to see ambitious Chinese entrepreneurs and managers saying, "We want to be national champions for China, we want to be world-class companies, and we want the support of our government in helping us compete abroad and in restricting the market share of foreign firms inside China." And that, of course, is going to pose all kinds of problems for the United States.

Now, that's if things go relatively smoothly.

The CHAIRMAN. Right.

Dr. HARDING. Obviously, we could have a major political or economic crisis that leads to a significant retrogression in Chinese policy, at home and abroad.

The CHAIRMAN. Well, I want to follow up on this in a second round, with your permission, but I just would say that there are two factors here that I don't know how to calculate, but I—I'm of the view that they are going to play a major role.

I think—not just economic nationalism, but I think nationalism is likely to be an increasing driver, in terms of domestic Chinese politics, and that will impact, I think, on their foreign policy, as well. But, that's another question.

The second one is, I know this will sound like—classically trite, but the Internet. I think it's going to have a gigantic impact. I don't know what it will be. But, the idea of the ability to continue to stifle access to information and control of information is just beyond the capacity. There is inevitability. Now, what is wrought by the change, I don't know, but I'd love to, at another time, to explore that with you a little bit. I don't want to make it more or less than it is. But, it really is such a different world, and I don't know how the present regime, or some successor that is recognizable as a successor regime/regimes, are going to be able to deal with this dilemma, which—but, at any rate, that's——

Richard, you wanted to make a comment?

Ambassador HAASS. Globalization is no more of a choice for China than it is for us. It's a reality for them.

The CHAIRMAN. Yeah.

Ambassador HAASS. And it's one of the things that will change the environment in which they're operating. And what that means, to put it bluntly, is that Orwell was wrong. Most of the technological changes are decentralizing.

The CHAIRMAN. Yeah.

Ambassador HAASS. And that makes it hard for nation-states, and in some ways it makes it a more complicated task, for highly centralized nation-states——

The CHAIRMAN. Yeah.

Ambassador HAASS [continuing]. To continue doing business as they've always done it.

The CHAIRMAN. Highly centralized states with over a billion people.

Ambassador HAASS. Right. So, one of the dilemmas for China is going to have to be, How do they manage to be efficient and effective in a global world with all the things they can't control with the desire to still maintain an awful lot of control, which is obviously the raison d'etre of a Communist Party. The word "dilemma" is overused, but that's actually a dilemma.

Can I say two things on nationalism, very quickly?

The reason I mentioned it in my statement is that I'm worried that the political and intellectual—not "vacuum," that's too strong—but thinness of Chinese political life is dangerous, and it's one of the reasons that we actually do have a long-term interest in encouraging civil society, encouraging greater religious freedom. We want this to become, in that sense, a richer society. We don't want nationalism to be the only thing that gets young people out of their chairs. That is the biggest reason to promote internal change—but, again, to do it gradually, carefully, smart, and from the sidelines.

Second of all, we need to be careful not to do gratuitous things that inflame nationalism, and that's where things like the Olympics debate come in. We've really got to ask ourselves, "What might be the benefits of some symbolic action?" against, "What might be the deep and long-term and abiding social reaction or consequences?" And if we're right, here in this conversation, when we assume that nationalism has the potential to take hold there. Already, you see in Chinese chat rooms a real sense that China is being denied its rightful place. It reminds me a little bit to use a

bad historical parallel, of imperial Germany, where it felt it was being denied its place in the sun, and that obviously fed nationalist ambitions there. I don't think we want to go down that path, it doesn't mean that we are supine and simply let them do what they want to do.

The CHAIRMAN. Yeah.

Ambassador HAASS. But, we have to be mindful—coming back to something Kurt said, we don't want to make it more difficult for them to manage their domestic politics. It was interesting, if you remember, several years ago, in the aftermath of the airplane incident. At the beginning of that incident, the government didn't mind some of the nationalist reaction. My own reading of it was, very quickly they got scared. Very quickly, they saw the intensity of it. And I think it taught them a powerful lesson, that they had to be careful about whipping nationalism up, because it might, in some ways, control them, rather than vice versa.

We have a stake in helping them manage their domestic politics so they do not feel compelled to embark on more nationalist foreign policies in order to sustain their own domestic status.

The CHAIRMAN. I've gone way over my time. Do you want to add——

Dr. CAMPBELL. Yes, just very quick——

The CHAIRMAN. Do you mind?

Dr. CAMPBELL. Mr. Chairman, just three points.

The first, on your question about how to think about China in the future, the most important dimension of this, I think, gets back to your citing of Richard, "What is China going to do?" as opposed to "what it is." I think the most interesting thing about China's foreign policy is, despite some of these misgivings about the institutions that were essentially created at the end of the 1940s, and then revived in the 1970s, is that, secretly, China wants to join all of them. They may gripe and say, "Well, look, I'm not so sure about that." If we came to them and said, "We'd like you to join the G–8, we'd like you to join these institutions," they would get over those things very quickly. I believe that fundamentally—Harry may not—but I think the truth is that they are, in their hearts, joiners.

What I am concerned by is that, no matter what happens, whether China becomes more nationalistic, more powerful, over the course of that period of the next 10 or 15 years, I think they're going to be less interested in joining and more interested in creating institutions of their own. So, we have, I think, an interesting period that really apt, smart statecraft can take advantage of that. First point.

Second point. You know, the truth is that we talk—we've talked constantly, this dialogue about us engaging and managing China. We should be well aware that they're also managing and engaging us; in fact, I would say, frankly, in many respects, more effectively. And they know something about us that we don't know very much about, and that is that we will not go quietly. So, they do everything possible not to make any really rapid movements. The thing that was most alarming to them about the antisatellite shot was that it happened in the first place, because their message to us is that, "You go ahead, you do this important work in Iraq and

Afghanistan, and then, in 20 years, you come back and we'll talk about things." They—and so, when they talked about "peaceful"—they talked, initially, about "peaceful rise." It was a great concept. But then the Chinese leadership realized that we were focusing on the second word, not the first one. And so, that was quickly changed to "peaceful development." They don't want us to start worrying about the fact that they're—you know, we're—some footsteps back there. And they understand that about us. And we should appreciate that.

The last point, I'm less optimistic about China's knowledge about the threat of nationalism. If I had to say anything about the Internet, is that—it is that it is a—the best analogy is the Three Gorges Dam. The Three Gorges Dam did not block the river, it diverted it. And I think what they have done quite effectively with the Internet is, not blocked everything, but they have diverted many things, and much of that diversion has been into the areas of, really, some of the coarsest nationalism imaginable, and they have not blocked that. And so, if anything, I think they've chosen between two evils, between just trying desperately to block everything, which they know that they'd fail at, and, instead, practice a much more sophisticated—and, say, the allowable areas of critique are of the kind of nationalist sort that, frankly, are as worrisome to some of our friends in Asia as it is to us.

The CHAIRMAN. Yeah.

I'm sorry, Dick. I've—we've gone, oh, 11 minutes over my time. I apologize.

It's all their fault. [Laughter.]

Senator LUGAR. Thank you, Mr. Chairman.

I want to raise, with all three of you, these predicaments that I have, not only listening today, but just generally. Essentially, I've just heard, today, and in other circles with people who shall remain nameless, a discussion of a polar bear and whether the Secretary of the Interior should have declared it as an endangered species. Now, it gets to climate change, ice floes, ice melting very rapidly, with the people involved pointing how wrongheaded the Secretary is to do such a thing; that, indeed, there is some ice melting, but then it comes back again, and that the polar bear is not threatened, all things considered.

It's a manifestation of the fact that, although there is discussion in informed circles in our country of climate change and so-called scientific evidence and so forth, the fact is that in our public dialogue, even as public officials, quite apart from work with our constituents, this is hardly a majority viewpoint, and the degree of skepticism is profound.

Now, even among people who believe that there is something to this, they are not inclined to change the size of their cars or the consumption of energy or other things of this variety. In fact, most of our time is spent indicating whether or not oil companies are gouging or whether ExxonMobil should be censured, and so forth, which, you know, is interesting, but probably rather irrelevant to this.

Now, this is our predicament. On the Chinese side, here is a country described as one really on the march, in terms of ordinary people finally having a chance to buy cars, millions of people mov-

ing in from the countryside, who, perhaps for the first time, have a heated shelter. And so it is not surprising that there'd be a 16-percent increase in energy use in a single year.

Now, Secretary Negroponte sort of assured us that this is a very small economy compared to ours, maybe a fourth or a third as large, so, in fact, if there is 10 percent real growth, this is on top of that kind of a base. Of course, on top of our base, we're not growing more than 1 percent, or we hope that we're not in a negative quantity in this particular year. And so, there are some who, in their papers, will say, in a few decades, China, who already may be the second largest economy, will, in fact, be the largest. Maybe so, maybe not.

My point is that the dialogue in China about climate change probably is not of the order that we heard today, that if water rises a meter, that a billion people are displaced. That would be very serious. Now, maybe they're not people in China, maybe someplace else. You know, hypothetically, we can think about that, too. We don't expect that'll happen in the United States. In other words, the thing that I'm concerned about is that, for the moment, it would appear to me that both publics, and the United States and in China, are concerned with ordinary affairs of their lives. They're trying to get better housing, better transportation, better utilization of their personal resources.

Now, maybe if the Chinese Government remains more authoritarian, it has the ability to say to its people, "That may be all well and good, but this is where we're headed. We're going to curtail this or that, or change the effects, and so forth." On the other hand, as some of you have suggested, maybe they become a little more democratic, or at least, in fact, people have more effective decisionmaking on their own, which we would applaud, because we believe in respective individual choices.

But, as in our democracy, taking the climate change issue again, this is going to be, quite a debate, with even more people involved than would be involved here. And I just don't see a gelling in these two countries of the type of leadership that probably is going to be required, so that you move down the trail. It's not quite so bad as the Siberian dilemma that you suggested, Dr. Campbell, immediately for us with regard to Iraq, but, there may be some potentially catastrophic situations unless things are interrupted in the process. For example, if the United States and China do not come to similar views, along with Russia, with regard to Iran, and for some reason military action occurs and there's disruption of the straits, and China's deprived of energy, we are deprived of energy. Europe is deprived of energy, and the whole thing goes haywire because, in the international community, we could not manage, that would change things, but not for the better. Here in the United States, I'm not sure where our democratic dialogue goes then, quite apart from what happens in China.

Now, offer some scenario, if you can, as to why things might turn out better.

The CHAIRMAN. Please. [Laughter.]

Senator LUGAR. Richard.

Ambassador HAASS. The short answer is, you may be right, in which case, very quickly, the climate change debate would stop

focusing on mitigation and would focus on either adaptation or geoengineering. And we may get to that point, where whatever we do is too little, too late, the effects start to kick in, by which point, even if we changed our ways, again, it would not be soon enough to avert what was already, if you will, in the pipeline. We may get to that point.

And there's a whole body of political thinking that thinks we will get to that point, simply because open societies have trouble responding in anticipation of consequences. And I'm sure you have people all the time who sit up here and talk to you about the tests for leadership and all that. I do think, though, both in this country and China, the debates have changed markedly in the last couple of years. You see it, I assume, every time you go home. All the candidates this time are talking very differently about climate change than they were several years back. One is seeing things at the state level, at the regional level, at the corporate level. One also sees in the world of venture capital a lot going on. There are some grounds, if you will, for optimism on what can be done.

One is seeing some parallels in China. The debate in China about climate change today has moved considerably. And one doesn't just get automatic comments that, "We're a developing country, we're immune"—in part because the Chinese are beginning to see the effects of climate change on their own economy and their own society, and they are understanding that this is something that will challenge their economic future, which obviously challenges their political future.

Senator LUGAR. What are those effects?

Ambassador HAASS. You are seeing problems with health, with land degradation, with desertification, and so forth, so you're beginning to see protests. The Chinese understand that they have a problem here, and it's not just a question of what's going on "out there." Climate change, like all forms of globalization, is not a choice. It is beginning to happen.

For the United States and China, two areas become paramount, and they're actually both areas of potential cooperation. One is clean-coal technology. If China is going to go ahead and continue to build roughly two coal-powered plants a week, that will overwhelm whatever progress they or others could possibly introduce in this realm. Clean-coal technology is not yet there, for us or for them. That is obviously an area where, actually, there is a place, I would think, for a larger public role, because the investment levels are so high. Engine technology, if China continues to proliferate the number of cars, is an area for some potential cooperation.

There are also things the United States and China could do collectively in the world. A big chunk of the climate change problem, a significant piece of it, is deforestation, destruction of forests, burning of forests. This ought to be an area that could be separated from the rest of the climate change debate. We don't need to wait for "Son of Kyoto" to do this. And this ought to be an area where the United States and China could cooperate. We could create an international fund to discourage deforestation and to encourage other forms of agricultural development. There are things the United States and China can and should do in this area, which actually would make a difference. And again, it is one of the reasons

that, in all the dialogues, this is probably the one issue that we want to put on the front burner.

Senator LUGAR. Well, unfortunately, my time is up.

The CHAIRMAN. No, no; keep going.

Senator LUGAR. Essentially, is this the sort of thing in which the new President of the United States and the leadership of China might decide, on a bilateral situation? Maybe we flatter each other, that the two of us can tackle this—but, still, there is such a presumption that if the United States and China do not somehow get the coal thing under consideration, just as a starter, that school's out with regard to CO_2, that there's enough of it—of the two of us. So, even though Europeans may be engaged in this, and very sensitive to this, they might be delighted if, somehow or other, enlightenment has come, and there is some degree of cooperation. This doesn't omit all the other discussions you might have with China, but it might be we could say, "This is such an existential problem—for us, for the world, for everybody else—that let's leap into this, the two of us," and this might be, conceivably, a way that melts down some of the other difficulties.

Ambassador HAASS. There is actually an interesting parallel from the trade world. We are trying to negotiate a Doha Round agreement. It's obviously stalled. In the meantime, though, we're trying to do other things in trade—bilateral, FTAs, regional agreements. So, while we're trying to negotiate a post-Kyoto comprehensive agreement that deals with everything and involves everyone, we've got to do other things. So, whether it's bilateral agreements dealing with certain specific challenges, like deforestation, or maybe having an agreement of just the major emitters of greenhouse gases, we may need to disaggregate the problem and realize progress where we can, because if we make it all-or-nothing, that, to me, is too big of a role of other dice for the planet. So, I am increasingly interested in ways of essentially deconstructing the climate change challenge. There are specific things the United States and China, possibly with Japan, Europe, and India, conceivably, where you bring together the major emitters because the top 10 or 15 emitters are going to determine the future. And the other 150 countries around the world, or what have you, while important, are not going to, ultimately, determine whether we are successful in meeting this challenge. So, there is both a strong case, and there's precedent, for groups of countries like the United States and China, either alone or with others, to try to tackle parts of this problem.

Senator LUGAR. This has subgroups. Maybe our negotiations can make headway if we discuss coal, if we discuss oil, because they're searching for it everyplace on Earth, as we are—but, maybe, at the same time, we discuss food.

The CHAIRMAN. Right.

Senator LUGAR. At this point, the Chinese have been relatively self-sufficient, but now we get rumors that, due to the better-eating aspects of China and India, there's a desire for some new croplands in Africa. Even Abu Dhabi is trying to get farmland in Pakistan. But, I'm just trying to brainstorm out loud, guided by you today, as to the sort of an agenda with which we have a new relationship

that would be very surprising to the Chinese, to us, to lots of people.

Dr. CAMPBELL. Can I—I know you all have busy lives and need to—we need to adjourn, here in a moment, but I will say that, from my sense, Senator Lugar, I worked, over the last 2 years, in a dialogue between national security experts and people who are scientists in the climate change arena. I've never worked on anything that was more worrisome. I think the jury is in. I do not believe there is any substantial debate about climate change. There are about four or five outliers, all very well financed and supported by the petro community.

I think the reality is, it's going to be worse than we realize. I think there are a number of myths that permeate the American political system about it; one, that there will be just gradual changes—climate will change dramatically, perhaps at points in the future, that will have major impacts on agriculture, on fishing, on sea level, on everything associated with the stability of our planet; that the United States is somehow immune from this. We have very long shorelines. Large parts of the United States are at sea level. So, I actually think that you've got to be careful—you know, if you talk like this, people kind of tend to move their chairs away from you——

[Laughter.]

Dr. CAMPBELL [continuing]. Because you sound a little bit crazy. But, I actually really believe in it, fundamentally, and I think it has to be, actually, at the very top of the agenda of the United States and China. And, myself, I will do everything possible to make sure that that's the case.

Senator LUGAR. I would encourage you, in that respect, Doctor, to publish, in various ways you can, some of this insight that you have gained, because I would say that there is a general idea about all this, but there's not a whole lot of confidence.

Dr. CAMPBELL. We'll get you some stuff to your office tomorrow.

Senator LUGAR. That would be very helpful, just as a starter, maybe, for the two of us.

The CHAIRMAN. Well, I—look, gentlemen, I—you know, this is one of the cases I'm going to make a statement that's going to be totally counterintuitive here in Washington—I think the American people are way ahead of their leaders. I really think you're going to see such a rapid change in attitude here—I think it's going to be exponential, this change. Maybe it's just—to be in this business, you have to be an optimist, and maybe that's just a—occupational requirement. But, I really—I just sense, as a plain, old politician hanging around for 35 years, there's pace on the ball here. This is a very different place.

Now, are we anywhere near being able to do—I mean, I think this is a place where the public's going to push us. We are all—I don't include my colleague, and I hope not me—but an awful lot of skittish people up here because of the major interests, as you point out. There are some significant outliers, but there's also significant—like, for example, clean-coal technology; the environmental community is pushing hard against clean-coal technology, because they believe, basically, it's a dirty product, period, but they deny the reality there's 300 years of dirty coal sitting in China.

And they're not going to use it? I mean, you know—you know, they're building roughly two plants a week. I mean—so, it's not merely coming from, you know, the recalcitrant folks. It's coming from progressive folks who want only, the silver bullet, the answer immediately.

But, my point is, I'm a helluva lot more optimistic than I was a year ago, not because of anything we've done here, clearly not because of anything the administration's even thought about, but because of what I sense out there, whether it's on Wall Street and capital markets or whether or not it's literally the woman who helps me with my mom who lives with me. It is, you know, gone through the permafrost. I mean, people are figuring this out.

But, having said that—and we've kept you a long time—I find the three of you have, really, a unique ability, beyond—and I mean this sincerely, I'm not being a wiseguy—a unique talent, beyond your substantive knowledge. You explain complicated notions as well or better than any three experts that I have encountered. And part of this is translation, here. Part of this is translating to our colleagues—who are very smart folks; I'm not suggesting otherwise—but, who don't have time to concentrate on all of this.

And I'm going to ask you something—I probably should do it off the record—but, in addition to being available to the committee to answer—I have five or six questions. I don't want to make a lot of work.

I want to talk to you, Dr. Campbell, about the whole idea of security architecture for the region and the willingness of China to embrace it or reject it—the whole notion—and one of the candidates running is talking about a League of Democracies, but he's not talking about it the way you're talking about it, as I understand it.

Richard, I want to talk about, to overstate it, Can we stop them from killing our dogs and still have a relationship? I mean, I don't find them mutually exclusive. I know it sounds a trite way to say it, but, you're right, that's how it affects public attitudes here. I don't find them mutually exclusive—the ability to be able to walk and chew gum at the same time. I mean, they've got to mature and grow up, and we've got to, as well.

But, at any rate—so, there's a bunch of areas I'd like to discuss with you. I'd like you to consider the possibility—and it may not be possible to get all three of you together at one time, but it would be a great idea if you could, for—if the chairman is willing—just to get a number of our colleagues together in an informal setting, in one of our offices, in my office, and just come in, and we'll get you an agenda ahead of time of the things that we'd like to have you talk about, and literally sit there, over a long lunch, and begin to have a discussion about some of these things, because, again, your greatest ability is your ability to take these complicated notions and, not dumb them down, but to put them in context.

I think you all underestimate just how good you are at being able to do that. And I think there's nothing more important—now, I think the American people are pretty damn smart, and I'm not being a solicitous politician; I genuinely mean that. I wouldn't have stayed in this, this long, if I didn't. But, they've got to have it translated for them. They have day jobs. And there's a lot of folks

in day jobs up here who don't spend all their time doing this. And so, would you all be—if we can work something out——

Dr. CAMPBELL. Actually, we're extremely busy and——

[Laughter.]

Dr. CAMPBELL [continuing]. But we'll try to figure it out.

The CHAIRMAN. All right. OK. All right.

Well, thank you very, very much. And, as I said, I have some questions I'm going to submit, with your permission.

The CHAIRMAN. Thank you for your time and for your input.

We're adjourned.

[Whereupon, at 4:58 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF DEPUTY SECRETARY OF STATE JOHN NEGROPONTE TO QUESTIONS SUBMITTED FOR THE RECORD BY SENATOR RICHARD LUGAR

Question. Some have expressed concern about Chinese foreign assistance to developing countries because it does not carry similar policy conditions and accountability mechanisms tied to foreign aid from the multilateral development banks and other donors. How is the administration engaging with the Chinese to harmonize aid mechanisms? What is the administration encouraging the Chinese to do specifically?

Answer. The U.S. Government believes that engaging the Chinese Government in a dialogue on foreign assistance is a high priority. Accordingly, and since the Ministry of Commerce is responsible for managing China's foreign assistance program, the Director of Foreign Assistance and USAID Administrator Henrietta Fore, in an April 7 meeting with Chinese Vice Minister of Commerce Yi, proposed a high-level foreign assistance dialogue. I followed up on this proposal in my May 12 meeting with Chinese Vice Minister of Commerce Fu. The Chinese Government has stated its support for such a dialogue, which both sides hope would be launched this fall. We will be following up with the Chinese Government to schedule an initial round at a mutually convenient time.

In addition, under the auspices of the United States-China Strategic Economic Dialogue, the Treasury Department is engaged in discussions with China on debt sustainability and on lending by multilateral development banks.

Our goal for the high-level dialogue is to obtain Chinese understanding and acceptance of the importance of adhering to international best practices in its foreign aid and lending programs, especially in the area of assistance transparency. We will also discuss how we can work together to implement the Paris Declaration on Aid Effectiveness, signed by both countries in March 2005, which aims to increase the efficiency and accountability of aid in line with sound development principles determined jointly by donors and recipients. The objective of the Treasury Department's dialogue is to encourage China to factor debt sustainability issues into its decisions on loans to developing countries.

Question. Given that China is the largest borrower from the World Bank, what is the World Bank doing to encourage responsible lending and granting from the Chinese Government?

Answer. It is my understanding that the first pillar of the World Bank's 2006–2010 Country Partnership Strategy (CPS) for China focuses on integrating China into the world economy. Noting China's increasing role as a significant provider of Official Development Assistance (ODA), the CPS highlights the importance of China joining international ODA structures, such as the Organization of Economic Cooperation and Development (OECD)'s Development Assistance Committee and other donor coordination regimes.

The Bank has also begun a dialogue with China as part of its efforts to coordinate OECD Export Credit Agencies and emerging market bilateral creditors in connection with its Debt Sustainability Framework and Non-Concessional Borrowing Policy (NCBP). (The Debt Sustainability Framework seeks to identify and mitigate potential risks of debt distress among borrower countries, while the NCBP seeks to improve creditor coordination and introduce borrower disincentives for unwarranted nonconcessional borrowing.)

On May 21, 2007, the Bank signed a Memorandum of Understanding (MOU) with China's Export-Import (Exim) Bank that calls on both sides to improve information-

sharing, facilitate participation in donor coordination mechanisms and frameworks, identify projects for cofinancing, collaborate on ensuring sustainable development financing through appropriate levels of concessionality, and identify, minimize and mitigate adverse environmental and social consequences of development initiatives.

Question. Chinese companies are playing a growing role in extractive industries (such as oil, gas, minerals, and timber) in developing countries. Do Chinese companies operate differently than companies from other countries? If so, how?

a. Are Chinese companies held to similar antibribery standards that U.S. companies are held to through the Foreign Corrupt Practices Act?

Answer. Overseas investments by Chinese firms in extractive industries are a response to China's rapid economic growth. Like their OECD counterparts, Chinese companies are profit-maximizing corporations whose actions are guided primarily by commercial considerations. However, Chinese companies are bound by fewer national legal restrictions than companies from OECD countries and are not yet party to international agreements on overseas business practices. Many of the Chinese companies engaged in pursuing contracts for extractive products are state-owned or state-operated companies, meaning that the companies receive political support from the Chinese Government for their overseas activities, including tied development aid, and business decisions may take into account some political goals as well as purely commercial factors.

a. There is no legislation in China that is the equivalent of our Foreign Corrupt Practices Act (FCPA). In recognition of China's importance in global commerce and the need to level the playing field by addressing the issue of foreign bribery, the U.S. and partners at the OECD are hopeful that China will sign the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which requires legislation making the payment of bribes a criminal offense and eliminating tax breaks for bribing foreign officials. The desire to address the problem of bribery and corruption is one of the reasons why the OECD has called for Enhanced Engagement with countries like China, with the aim of having these countries adopt common standards on the way to eventual OECD membership.

Question. How is the administration engaging with the Chinese Government on issues around extractive industry transparency? At what level and through what agencies is the engagement? Is the administration encouraging the Chinese Government to support the Extractive Industry Transparency Initiative (EITI)? If so, how?

Answer. Senior Department of State officials have, on a number of occasions, encouraged interlocutors within both China's Foreign Ministry and the National Commission for Development and Reform (NDRC) to consider China's participation in EITI as a "supporting country." This is the same status that the U.S. holds in EITI. Such support by China would reflect China's growing weight and influence as an important investor in the extractive sectors of many developing countries.

Question. A number of countries are supporting a U.N. General Assembly draft resolution in favor of EITI—A/62/L.41. Some have suggested that a U.N. resolution encouraging EITI will help pave the way for Chinese and Indian support for the initiative. Given the administration's support for EITI, does the administration expect to support this resolution? Why or why not?

Answer. The pursuit of transparency is a high-profile foreign policy objective which cuts across numerous USG departments and organizations. State participates in international and bilateral efforts such as EITI to encourage resource-rich developing countries, as well as countries that invest in them (including China and India), to implement transparency throughout the extractive industries value chain. Resource revenue transparency contributes to effective use of public resources by enabling oversight. It is encouraging to see that other countries, including those who have proposed and sponsored the current UNGA draft resolution in favor of EITI (A/62/L.41), agree and are willing to encourage increased participation in the initiative. Although the U.S. does not anticipate formally cosponsoring the resolution, we have no objections to the current wording, and expect that the administration will support it.

Responses of Deputy Secretary of State John Negroponte to Questions Submitted by Senator Barbara Boxer

Question. On April 23, you appeared before the Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs to discuss the crisis in Tibet. During

that hearing, we discussed the possibility of working together on an "action plan" for Tibet.

On Friday, May 9, I sent a letter to President Bush with Senator Biden, Senator Kerry, and Senator Snowe, which outlined a number of specific actions that we believe the President should take, including visiting Tibet when he travels to the Olympic Games later this summer.

I have put together a slightly more detailed action plan below. Can you please respond to your progress made to date on each item?

- A. Moving Lhasa to the top of the list of cities in China for the next United States consulate, accompanied by a statement linking the opening of any further Chinese consulates in the United States to Chinese consent on the Lhasa post;
- B. Calling for the release of those people detained for peaceful, nonviolent expression of opinion;
- C. Demanding that China's Government allow access by journalists to all areas of China and meet its commitments to the International Olympic Committee;
- D. Coordinating efforts with European governments and United Nations agencies on getting access for foreign media, independent monitors, and diplomats to monitor the humanitarian situation in and around monasteries, and of Tibetans in general;
- E. Insisting that Chinese authorities follow international standards of due process during the trials of those arrested since March 10, and allow for independent monitoring of such trials;
- F. Requesting that the Chinese Government provide a list of those persons detained since March 10 and the charges against them;
- G. Insisting that the Chinese Government end contentious policies, such as "patriotic education" campaigns, that restrict Tibetans' ability to freely practice their religion;
- H. Amending the fiscal year 2009 budget request to ensure that funding for Tibetan language broadcasts on Radio Free Asia and Voice of America is commensurate with the increased hours of service;
- I. Ensuring that Radio Free Asia and Voice of America be included in the President's press pool for Olympics;
- J. Assuring that Tibet will be a topic of substantive discussion at the next meeting of the United States-China Strategic Economic Dialogue; and
- K. Assuring that the administration will seek results and real progress on human rights conditions, including those inside Tibet, during the upcoming United States-China bilateral human rights dialogue.

Answer. Like you, we remain concerned about the March unrest in Tibet and the longstanding grievances of China's Tibetan communities. Thank you for the valuable suggestions in your Tibet action plan. We look forward to working with you and other Members of Congress as we press China to pursue substantive dialogue with the Dalai Lama and his representatives to address policies that impact the Tibetan people's way of life.

I am pleased to provide a status report on each of the items you raise in your action plan:

A. *Lhasa Consulate:* As you know, we cover events in the Tibet Autonomous Region (TAR) and Tibetan areas of Sichuan and Yunnan provinces out of our Consulate General in Chengdu, in Sichuan province, where our team includes Tibetan-speaking staff. The Tibetan areas of Qinghai and Gansu provinces are covered under Embassy Beijing's consular district. However, we agree that the United States needs to be more widely represented in China, including in the TAR. As we discussed during my testimony, in April we officially expressed interest in opening U.S. consulates in Lhasa and a number of other cities in China. To date, the Chinese have not responded to our expression of interest. We have followed up on this request: I raised the issue with Foreign Minister Yang when I was in China on May 12, indicating that the request for a consulate in Lhasa was at the top of our list of priorities; and, we sent a diplomatic note to China on May 15, placing priority on opening a post in Lhasa. We will continue to work on this with the Chinese.

B. *Prisoner Releases:* We have repeatedly called on China to release those detained for peaceful, nonviolent expression of opinion. President Bush and Secretary Rice have spoken to their Chinese counterparts, Ambassador Randt at our Embassy in Beijing has raised the issue repeatedly with high-level officials in the Chinese Government, and we have raised it here in Washington. We call on the Chinese authorities to ensure that all individuals detained during the recent unrest are afforded internationally recognized protections of due process and transparent legal procedures. Assistant Secretary for Democracy Human Rights and Labor David Kra-

mer will be raising this issue during our upcoming bilateral human rights dialogue with China.

C. *Journalist Access:* We call on China to allow domestic and international journalists unfettered access to all areas of recent unrest. I discussed access for journalists personally with Chinese Ambassador Zhou soon after violence broke out in Tibet, and we have repeated this request at all levels of the government. As you have noted, China's 2007 temporary regulations granting increased freedom to foreign journalists in advance of the 2008 Olympic Games were a positive step, but we share your concerns about the failure to apply these standards fully in all Tibetan areas, particularly in light of recent events. We will continue to press Chinese officials to fully implement the regulations, make them permanent, and extend similar benefits to Chinese journalists.

D. *Coordination With European Governments and the U.N.:* We have been coordinating closely with European Governments and other friends and allies on our approach to events in Tibet. We and the EU made statements at the U.N. Human Rights Council urging all sides to refrain from violence and pursue substantive dialogue, and calling for transparency and access. We discussed the situation in Tibet with EU officials and others at a human rights forum in Brussels in April, and we will remain in touch with our friends in the international community as we press for progress on these issues. We, together with the EU and others, continue to press the Chinese for access to Tibet for U.N. observers including the U.N. High Commissioner on Human Rights and others.

E. *Due Process for Trials:* We agree that we must continue to press China to ensure that all legal and administrative proceedings against persons alleged to have participated in violent acts during the recent protests throughout Tibetan areas of China are conducted in a manner that is both transparent and consistent with Chinese law and international human rights norms. We have asked for unfettered access to the TAR and other Tibetan areas of China for diplomats so that, among other things, they may observe judicial proceedings against Tibetans charged in connection with recent events in Tibetan areas. This is another issue Assistant Secretary for Democracy Human Rights and Labor David Kramer will raise during our upcoming bilateral human rights dialogue with China.

F. *List of Detainees:* Officers from our Embassy and our Consulate General in Chengdu have repeatedly pressed Chinese officials at all levels for information regarding detainees, including individual cases. To date, we have not received a satisfactory response to our requests, although the Chinese Government has recently provided information on some cases. Assistant Secretary for Democracy Human Rights and Labor Kramer will again request this information during our upcoming bilateral human rights dialogue with China.

G. *Amending Contentious Policies:* In the Secretary's first public statement on the March protests and on other occasions, we have urged the Chinese Government to address policies in Tibetan areas that have created tensions due to their impact on important facets of Tibetan life. The Tibetans have asked for increased autonomy to govern their own affairs within Tibetan areas, particularly on issues such as education, language, religious practices, and other matters important to the protection of Tibet's unique cultural heritage. We continue to impress upon the Chinese leaders that a new approach on these policies in Tibet is in China's own interest and will serve not only to improve the lives of the Tibetan people, but also to reduce tensions and increase stability in the long term.

H. *Broadcasting:* We recognize the important role that U.S.-supported Tibetan language radio broadcasts played in providing information both inside Tibet and to the rest of the world as events unfolded in March and April. Radio Free Asia was often first to break stories of protests, even after China imposed a media blackout throughout the affected areas. The Broadcasting Board of Governors (BBG)'s current broadcast schedule to Tibet has actually increased by 30 percent since March 2008. In light of recent events in Tibet, the BBG increased combined Voice of America and Radio Free Asia Tibet broadcasting from 86 to 112 hours per week. This ability to "surge" broadcasting displays the agency's ability to reevaluate its broadcast requirements when events warrant. The agency will continue to monitor the situation in Tibet to ensure that the most effective and appropriate levels of broadcasts are reaching the region.

I. *Olympics Press Pool:* Voice of America is a part of the President's radio pool, whose members accompany the President on a rotating basis. No official announcement has been made about the makeup of a pool going to the Olympic Games. Regardless, VOA will benefit from the reports of other pool members if they are not among the group that travels with the President. In addition, VOA will have six or seven journalists accredited to the Games, who will provide detailed coverage of the events. Radio Free Asia also has several reporters accredited to the Games. Two

RFA broadcasters are accredited with the International Olympic Committee. One is a Mandarin service broadcaster. The other is with the Tibetan service. RFA is not part of the Presidential pool.

J. *Strategic Economic Dialogue:* We will continue to raise our concerns about Tibet in our bilateral forums with China. Secretary Paulson expressed his concerns about the situation in Tibet during his SED preparatory trip to China in early April. I discussed Tibet most recently with my interlocutors, including Vice President Xi Jinping, in Beijing on May 12, stressing our desire for progress through dialogue between Beijing and the Dalai Lama and his representatives. It has also been a subject of my Senior Dialogue discussions with my Chinese counterpart, Dai Bingguo. Secretary Rice has spoken with her counterparts frequently about Tibet as well. While the focus of the upcoming Strategic Economic Dialogue is our bilateral economic agenda, our delegation will be prepared to discuss Tibet with their Chinese counterparts outside of the formal, plenary sessions.

K. *Human Rights Dialogue:* Secretary Rice and her Chinese counterparts agreed in February to resume our long-stalled bilateral human rights dialogue. We view these talks as a valuable opportunity to press for progress on China's human rights record, including in Tibet. We have made clear to the Chinese, both publicly and privately, that we expect the dialogue to lead to real progress.

Question. In your opening statement, you write that you "appreciate China's willingness to press the Burmese regime to cooperate with the international community's efforts to provide humanitarian assistance to the people of Burma."

Have these overtures by the Chinese Government had any effect whatsoever?

Because the Burmese generals have refused to allow international aid workers to enter the country, the suggestion has been raised that the international community should intervene in a humanitarian way without the explicit approval of the junta.

Have you discussed this option with Chinese officials?

Answer. The Burmese regime is slowly increasing access to Burma for international aid workers, including doctors from neighboring countries. However, according to recent United Nations assessments, over half of those severely affected by Cyclone Nargis still have not received any assistance.

There is no question that the Burmese regime needs to increase access to affected areas for international relief teams and accept outside logistical resources to expand and accelerate the humanitarian assistance operation. Our Embassy in Rangoon has been in direct contact with Burmese officials about this, and governments and NGOs from around the world have all sent similar messages.

Given China's unique access to the Burmese regime, we have been urging our Chinese interlocutors to use their influence to convince the regime to expand access for international relief efforts. We believe that Chinese intercession with the Burmese military was helpful in persuading the Burmese regime to allow in the first relief supplies from the U.S. Military's Pacific Command that reached Rangoon after transportation assets were diverted from military exercises in Southeast Asia.

China has reacted negatively to any suggestion of nonconsensual humanitarian intervention in Burma, including during recent discussions of this idea by France at the United Nations.

Question. On May 14, my office was contacted by a mother from California who has been unable to contact her son who was traveling with two classmates near Chengdu, China, when the earthquake struck.

I have been told that the U.S. consulate in Chengdu is working hard to locate the three Californian students and that additional U.S. personnel arrived from Beijing to help in the search efforts.

Will you look into this case for me to ensure that everything is being done to find these missing Californian students?

Answer. Consulate General Chengdu, working closely with the Chinese and the students' parents, located the three California college students in Maoxian. They are uninjured and have food, water, and shelter. We will continue to monitor their condition until they are safely out of the affected area. To date, U.S. consular officers have successfully accounted for over 275 American citizens since the earthquake struck on May 12.

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