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## Quotes Of The Month

*"I'm very energised about the prospect of helping the country face some daunting challenges, and I am guardedly optimistic about the enormous potential for positive change...The stage is set to expect more than modest progress in coming years."* ~ The U.N. High Commissioner for Human Rights, **Louise Arbour**, speaking at the end of a five-day visit to Beijing. The visiting Commissioner signed an accord with Beijing to collaborate on reforming the mainland's legal system in preparation for adopting the International Covenant on Civil and Political Rights. But she also voiced concern over China's widespread use of the death penalty.

Source: BBC, September 2, 2005

## Trivia Question

How many stores and employees does Wal-Mart have in China?

(*cont pg 3*)

## FEATURE ESSAY

### The Summit that Wasn't:

### Addressing the Rise of China and the Challenge of Strategic Distrust in U.S.-China Relations

BY RANDALL G. SCHRIVER

The planned summit between Chinese President Hu Jintao and U.S. President George W. Bush – slated to take place today – was postponed owing to the nation's response to Hurricane Katrina. While understandable, it is also unfortunate as the two leaders have much to discuss. On the positive side, however, a postponement may provide some space for the two sides to think more carefully about how they can address a looming issue for the relationship, that of "strategic distrust."

If and when the two leaders meet later this year, they will have an opportunity to make real progress on critical issues, such as cooperation on North Korea and bilateral trade. Each leader will want to raise other issues, though major developments are not expected – President Hu will feel compelled to raise Taiwan, and President Bush will reiterate his strong interest in human rights. And each leader will continue to explore areas of potential future cooperation on global issues such as international health, the environment, and energy.

While these issues are important, there is some risk that addressing all these traditional bilateral matters will necessitate abbreviating a discussion on the most important topic of all. How do we intend to guide our relationship through the defining strategic challenge of our age: China's emergence as a more powerful, influential and pro-active country in regional and global affairs?

Addressing the so-called "rise of China" makes for a difficult discussion between Presidents. The challenges of this strategic issue are largely conceptual, amorphous in character, and laden with uncertainties. Senior political leaders are generally more comfortable signing agreements, launching initiatives, and bringing home deliverables. At lower levels, bureaucrats have difficulty producing "talking points" that promote the appropriate messages when the topic at hand is how to deal with subtle shifts in geopolitical landscapes and great power hierarchies.

(*cont pg 2*)

## In The News

**BEIJING** The fourth-round of six-party talks recessed in Beijing on August 7 after 13 days of meetings where the six delegations failed to agree on a basic statement of principles to guide future negotiations. The six nations are using the hiatus to continue contacts and negotiations, aiming at persuading North Korea to give up nuclear weapons development. The nuke talks were due to resume in the week beginning August 29, but have been postponed probably to mid-September with no specific date set.

**BEIJING** China National Petroleum Corporation (CNPC), which is China's largest oil and gas producer, reached an agreement with Canadian-registered PetroKazakhstan (PK) on August 22 to buy the company for \$4.18 billion. The deal came three weeks after the withdrawal of CNOOC's \$18.5 billion cash bid for Unocal due to fierce opposition in the U.S. Congress. The takeover bid, which still requires the approval of PK's shareholders in October and probably the Kazakh Government, would become the largest overseas acquisition by a Chinese firm.

Yet, it is essential over the coming months that the two leaders initiate a thoughtful discussion that goes beyond platitudes. The greatest current challenge to U.S.-China relations is not conflict over Taiwan or escalating trade tensions. The greatest risk is a steady drift toward great power global rivalry, if not outright adversarial relations. Current trend lines suggest challenging times ahead. To avoid prolonged strategic distrust and an incremental slide toward becoming adversaries, pro-active steps must be taken by our leaders to arrest the negative trends, and steer relations in a more benign course.

China pursues deeper engagement with the world, and is increasingly effective at promoting its interests – even where its interests clash with the United States and other established powers. Though Chinese intentions once it has acquired greater power may be unknown, we are able to look at China's behavior to glean a sense of strategic direction. And a candid and sober-minded review of China's recent decision-making and actions are causing concern in the United States.

There have been direct negative effects for the United States emerging from China's actions. Chinese diplomacy enables continued irresponsible behavior on the part of certain other governments, and complicates efforts by the United States and other countries to promote different outcomes. In Sudan, as Washington works with other countries to halt the Darfur genocide, China supports Khartoum with oil deals and arms sales. In Iran, China supports Tehran with oil purchases and political assurances that it will not support possible United Nations action to stem Iran's nuclear ambitions. In Venezuela, as Chavez seeks to spread anti-Americanism throughout the hemisphere, China helps him do so by lessening his reliance on the U.S. market for Venezuela's oil exports. And with respect to Uzbekistan, within a week of international and U.S. condemnation of the bloody crackdown on protesters in the country, China honored President Karimov with a high-profile state visit.

There are other disturbing trends. China has actively promoted multilateral organizations in Asia in which the United States is not represented. The creation of the East Asia Summit is the just the most recent, best example of these efforts. In the case of the Shanghai Cooperation Organization (SCO), China pushed fellow members to discuss and question the future of US forces in Central Asia, despite the fact that the United States has no representation in the SCO.

To be fair, a similar article from the Chinese perspective might endeavor to document how the United States is driving the relationship in the direction of greater distrust. A Chinese list would surely include continued U.S. support for Taiwan which, in China's view, directly challenges China's sovereignty, a human rights agenda oriented toward weakening Beijing's domestic grip (again, a Chinese take), and a strengthening U.S.-Japan alliance at a time when Sino-Japanese relations become more tense.

Looking ahead to his next meeting with the Chinese leader, President Bush has an opportunity to yet again state that the United States welcomes a China that is more influential and powerful as long as China operates in ways that are mindful of U.S. interests and established "rules of the road." President Bush could deepen the conversation even further:

- highlighting the growing list of Chinese actions that lead to greater suspicions in the U.S. regarding Chinese strategic intent;
- articulating the range of issues where our interests converge as shared stakeholders (e.g. maritime security, stability in the Middle East, and global health and environment);
- offering a clear vision for dealing directly with areas on which we will likely have sustained competition and disagreement;
- working with President Hu to deliver clear presidential guidance which empowers their respective agencies and ministries to actively contribute to the shared objective of enhanced cooperation.

If President Bush is able to initiate this kind of critical discussion about our collective future, I hope President Hu is prepared to reciprocate.

The United States will pay a price for prolonged strategic distrust and adversarial relations between the two countries, as would China. If China has made a strategic decision that they must dislodge U.S. influence over time, even if it requires a competitive or adversarial relationship, then President Bush can do little to arrest such trends.

However, if Chinese foreign policy is more ad hoc, less calculated and does not reflect hostile strategic intent, then Washington may be able to help steer relations in a more positive direction. But an opportunity is merely that. To realize positive strategic consequences, pro-active efforts on the part of leaders are required. Postponing this week's summit provides an opportunity to move more thoughtfully in this direction. With the aim of averting a steady, adversarial drift, President Bush should begin those pro-active efforts in preparation for the next U.S.-China summit later this year.

**Randall G. Schriver served as Deputy Assistant Secretary of State for East Asian and Pacific Affairs from 2003 to 2005, and is currently a Partner with Armitage International.**

## PUBLICATIONS

*"Diverging paths hurt U.S. and Europe"*, International Herald Tribune, September 6, 2005

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

In this opinion piece, Gill and Niblett argue that divergent U.S. and EU approaches toward China's dramatic political and economic rise carry the danger of misunderstandings not only across the Atlantic, but also with China, and could have negative economic and security consequences in the near and long terms.

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

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

Thompson describes China's growing influence in Africa, reshaping political and economic relationships on the continent and heightening concern in the United States that China's rise could challenge the U.S.' traditional economic and security interests in the region. He analyzes that the relatively recent growth of China's economic and security links in the region pose both challenges and opportunities that will require complex and sensitive diplomatic efforts to ensure that the interests of China, the U.S., EU and African countries are met, and that a regional and global environment that promotes stability and economic growth is fostered.

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

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

Detter and Tay examine the nature of large, reforming state-owned enterprises (SOEs) in China. They explore whether China's SOEs will be more and more driven by the forces of capitalism, how to reduce the role of the "state" in SOEs, and how to further open these companies to greater market orientation, good corporate governance, and less political interference.

*"China's Evolving Approach to Counterterrorism"*, Harvard Asia Quarterly, Winter/Spring 2005 The article is now available online. [Click here]

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

## CONFERENCES AND EVENTS

**September 26** *Policy Forum on China's NGOs and Social Reform*

The forum will shed new light on emergent nongovernmental and faith-based organizations in China, and their role in the continued development of China's civil society and social capital. Chinese and U.S. experts and officials will go beyond a narrow focus on political, military and economic issues, to better understand the contributions of private civic organizations, in the areas of social welfare, health, and charity. For more information on this event, please contact Savina Rupani at [srupani@csis.org](mailto:srupani@csis.org).

**August 31** *Roundtable with Deputy Chief of Mission Zheng Zeguang, Chinese Embassy* [Click here for event summary]

**Minister Zheng Zeguang**, Deputy Chief of Mission of the Chinese Embassy in Washington, on behalf of the Chinese Ambassador Zhou Wenzhong, attended a roundtable discussion at CSIS with a group of China scholars and policy experts. The two-hour meeting addressed President Hu Jintao's planned visit to the United States. Minister Zheng's presentation was followed by an insightful and constructive conversation among the audience of leading China watchers from nongovernmental organizations, the private sector, and Capitol Hill.

**August 16** *China's Interest in Central Asia and the Future of the Shanghai Cooperation Organization*

**Zhao Huasheng**, Director of the Center for Russia and Central Asia Studies at Fudan University in Shanghai, spoke at CSIS on issues concerning China and central Asia. Mr. Zhao specializes in Russian foreign policy and security, Sino-Russian relations, Sino-Central Asian relations, and the Shanghai Cooperation Organization. He addressed some 40 policy analysts and U.S. officials.

## WHAT'S NEW

We would like to welcome our fall interns **Hsiang-Nien Hsu**, **Chin hao Huang** and **Jin Yan** to the Freeman Chair. Nien is a senior majoring in Philosophy at the University of Texas at Austin. He is the recipient of the CSIS Anne Armstrong Leadership Award for the Fall 2005 semester. Chin was a summer intern at the Freeman Chair. He will work with us on a part-time basis this fall while finishing his undergraduate degree at the School of Foreign Service at Georgetown University. Jin received her MA from the University of Chicago in August 2005. She previously worked with China Central Television and Beijing Organizing Committee for the 29th Olympiad.

## TRIVIA ANSWER

**Since establishing its first retail store in China in 1996, Wal-Mart China has employed more than 23,000 associates and operated 45 units in 21 cities.** According to a report in Beijing Review, Wal-Mart China has opened 40 supercenters, 3 Sam's Clubs and 2 neighborhood markets across the country. There is an average annual increase of 20-30% in terms of both retail sales and direct and indirect procurements.

**Source:** "Wal-Mart Presence", Beijing Review, August 4, 2005

## PUBLICATIONS FROM THE FREEMAN CHAIR 2004/2005\*

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

### July

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

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

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

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

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

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

### June

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

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

### May

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

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

### April

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

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

### March

*"China's Global Strategy for Energy, Security and Diplomacy"*, The China Brief, Jamestown Foundation, March 29, 2005

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

### February

*"Tsunami Relief Reflects China's Regional Aspirations"*, The China Brief, Jamestown Foundation, January 18, 2005

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

### January

*"Taiwan's Election Results: Good News, Bad News, Or No News?"*, The China Brief, Jamestown Foundation, January 4, 2005

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

### December

*"Economic Growth and Soft Power: China's Africa Strategy"*, The China Brief, Jamestown Foundation, December 7, 2004

By **Drew Thompson**, Research Associate, Freeman Chair

*"Women and HIV/AIDS in China"*, CSIS HIV/AIDS Task Force, Freeman Chair website, December 1, 2004

By **Drew Thompson**, Research Associate and **Amy Phariss**, former Research Intern, Freeman Chair

### November

*"Disaccord On Sudan Could Poison China-U.S. Ties"*, International Herald Tribune, November 18, 2004

By **Drew Thompson**, Research Associate, Freeman Chair

*"A Gathering Consensus On Sudan?"* South China Morning Post, November 18, 2004

By **Drew Thompson**, Research Associate, Freeman Chair

*"China's Hopes and Fears For the Next Four Years"*, The China Brief, Jamestown Foundation, November 11, 2004

By **Drew Thompson**, Research Associate and **Zhu Feng**, former Visiting Research Fellow, Freeman Chair; Director of the International Security Program, School of International Relations, Peking University

*"Taiwan Investment Cultivates Mainland Relations"*, Lloyd's List, November 8, 2004

By **Melissa Murphy**, Research Intern, Freeman Chair

## FREEMAN FACTS:

### China's Energy Use

1. China has single-handedly accounted for 1/3 of the growth in global oil demand since 2000.
2. China was the world's second largest consumer of petroleum products in 2004, ranking after the U.S., with total demand of 6.5 million barrels per day (bbl/d).
3. According to the U.S. Energy Information Administration (EIA), as the source of around 40% of world oil demand growth over the past four years, with year-on-year growth of 1.0 million bbl/d in 2004, Chinese oil demand is a key factor in world oil markets.
4. Since 2001, China has focused on developing its renewable energy program. After coal, renewables (including hydroelectricity) account for about 20% of China's electricity generation.

**Sources:** EIA Country Analysis Briefs, The Economist

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Center for Strategic and International Studies 2005

### THE FREEMAN CHAIR IN CHINA STUDIES

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

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

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

### Current research projects

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

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