

FREEMAN REPORT

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Quote Of The Month

"Against the backdrop of international economic and financial volatilities it is of crucial importance that China and the United States have closer interactions in our economic relations and financial trade." ~ Chinese Vice Premier, **Wang Qishan**, speaking at the 19th meeting of the U.S.-China Joint Commission on Commerce and Trade on September 16. The talks coincided with plunging global financial markets following the crisis on Wall Street. While the talks produced a range of bilateral trade agreements, it is not expected that China will play a major role in the U.S. financial recovery given China's top priority on its own domestic reforms.

Source: *Agence France-Presse*, September 16, 2008

The Freeman Report provides an open forum for individual opinions and commentaries on China. All opinions expressed in the feature essay of the report are those of the author.

FEATURE ESSAY

Soft Power Strategy for Post-Olympics China

BY PANG ZHONGYING

China has achieved more than Olympic glory

Since 2001, when Beijing won the bid for the 2008 Olympics, China has pursued three goals: (1) maintaining the country's ongoing process of reform and development, and addressing pressing problems; (2) demonstrating to the world its modernization and socioeconomic transformation, accomplished through the country's "peaceful development" or "peaceful rise"; and (3) successfully organizing and managing a world-class event like the Olympic Games.

Thanks to its tireless efforts, China's unprecedented "Olympic diplomacy" (*aoyun waijiao*) worked. China was able to welcome an unprecedented number of world leaders at the opening and closing ceremonies of the 29th Olympics Games. The resulting *ad hoc* world summit was a significant diplomatic triumph for China.

The Olympic glory that the Chinese athletes achieved, the first-class organization of the games, the hospitality of the local people, and the demonstration of the contemporary Chinese society were a significant contribution to China's "soft power." The Games resulted in an extraordinary demonstration of curiosity by the Western media into China. In many respects, the Beijing Olympics served as a "China classroom" for the rest of the world.

Despite the positives, the process of hosting the Games was troubled from beginning to the end due to the Sino-Western political difference over many issues, particularly political rights and individual freedoms. Hosting the Olympics also exposed many of China's thorny socioeconomic and political challenges. To varying degrees, China's international image suffered from the negative effects of this exposure. (cont pg 2)

In The News

BEIJING A nationwide food safety scandal involving contaminated baby formula has killed four infants and sickened over 6,200. Chinese Health Minister Chen Zhu reported that more than 1,300 babies were in hospital while 158 have suffered acute kidney failures. Investigators found a protein-boosting industrial additive in formula produced by 22 of China's 109 dairy companies. Authorities have arrested several milk producers and removed officials in Hebei province, and offered free medical care to sick children. Yet immediate solutions in the formula scandal need to be strengthened by the government's commitment to addressing official corruption and enhancing regulations.

BEIJING The People's Bank of China – the country's central bank – released its announcement on September 15 to cut interest rates and ease bank lending restrictions in response to signs that growth in the Chinese economy was slowing. The abrupt easing of China's monetary policies was unexpected, and it came shortly after reports of the acute stress in global financial markets. It is the first time that the central bank has lowered the proportion of deposits that lenders must hold in reserve since November 1999. Western economists welcomed the new direction of China's monetary policy.

The price of China's success is too high to assess

China's massive economic modernization over the past thirty years was achieved at a high price tag. Hosting the Olympics was extremely costly, and Beijing took advantage of the entire country's resources to ensure the success of the games. This reflected China's longstanding strategy and system (*juguo tizhi*) to demonstrate national strength by performing well at global sporting events, particularly the Olympics. China's ruling elites have proudly claimed that one advantage of the Chinese political and economic system is the mobilization of the nation's resources for doing big things (*jizhong lilianq ban dashi*).

Sporting events in China, including the Beijing Olympics, reflect China's central planning traditions, rather than its current status as a market economy. Many residents in Beijing and other Chinese cities had to make some sort of sacrifice for the games, ranging from daily inconveniences to the loss of their legitimate interests and rights. According to the official statistics, Beijing invested at least US\$50 billion for the Games and Games-related construction – with additional funding coming from the central government and other local governments.

The Beijing Games, while extremely popular in China, have been a cause for some reflection by Chinese citizens. China's *juguo tizhi* focus on sports success as a national priority has been criticized by some at home for various reasons. Some suggest the system may produce good but not necessarily democratic decisions. Some large projects have resulted in new social inequalities and regional disparities. Many have unofficially argued that China's state sports system is indeed good for winning gold medals and has in return turned the nation into a "sports superpower" (*yundong daguo*), but not necessarily a power for physical education (*tiyu daguo*). Ordinary people, including students from many poorer areas, only have access to underdeveloped physical exercise facilities and welfares. Compared to the competitive sports sector, the government's input for daily health activities in China is still insufficient. As a result, the Beijing Games has instigated a popular appeal for letting the general public benefit from China's sports power.

The "show of power" is not necessarily the show of soft power

Many in the Western press suggest that the Beijing Olympics were a show of China's power. In my view, however, the show was largely about "hard" rather than "soft" power.

Indeed, the Beijing games demonstrated China's economic dynamics through the mushrooming post-modern architectures (many of which were designed by foreign firms). With cutting-edge technologies and extravagant public funds, experts created a dazzling, illusionary, and artistic image. To some extent, the Olympic opening and closing ceremonies were projecting a fantasy image of China. Yet in reality, although economic reform and globalization have brought significantly positive changes, many Chinese live in an imperfect and problematic world.

After the thirty-year pursuit of individual wealth and GDP growth, China has almost forgotten to explore the soft dimension of its power. For decades, the notion of economic development has dominated and overridden all other concerns (*fazhan shi ying daoli*). While the number of skyscrapers in Chinese cities is rising, the public has started to find poverty and emptiness of many minds and souls.

In 1990s, I was one of the first Chinese scholars who tried to introduce and internalize the concept of "soft power" coined by American professor Joseph Nye. At that time, soft power was an unknown, unnoticed theory in China, except for scholars in the international studies field. Belatedly, the Chinese top decision makers have begun to understand and address the nation's soft power issue and imperative in recent years.

However, intensifying domestic challenges in China continue to weaken China's quest for soft power. The list of China's domestic challenges is long. China faces a severe environmental crisis. Although the Olympics might have helped improve the local environment in Beijing and other Olympics-related Chinese cities, it is unlikely to halt the entire country's environmental degradation. The Chinese leadership has begun to shift economic growth policies to a more scientific, less growth-at-any-cost model, but stricter environmental standards mean higher energy and other costs of production, a tradeoff that many in China are unwilling to make. As a result, China's environmental crisis remains unsolved.

China's deep-rooted moral decline in the era of market capitalism constitutes a major challenge to the soft side of its development. Without soft power, it is difficult for the nation to become a real superpower in the world.

There are still some individuals and companies in China that pursue irresponsible and reckless practices. The scandal of slave labor in June 2007 and the ongoing scandal of toxic food clearly reflect the fact that China is at a crossroads – will it allow such immorality to sink the society or will it rebuild national morality?

China has demonstrated to the developing nations that a previously poor, populous country could host and win the Olympics after achieving its economic "miracle". Many in the developing world have been encouraged by China's historic achievements. (*cont pg 3*)

Yet, China's domestic vulnerabilities threaten the positive effects of the "China model" that the developing world may want to pursue. China cannot become a smart soft power internationally unless it is a smart soft power domestically.

China needs a domestic-driven soft power strategy

China's economic growth heavily depends on global demand for its exports. The country's dependence on international trade, investment, and energy supply has reached an unprecedentedly high and dangerous level. The dependence has caused China to suffer from the global downturn and created frictions between China and the world over issues such as trade deficits and energy insecurity. As a result, the Chinese government has been trying to reduce its dependence on the global economy. As a basic macro-economic policy, China needs to continue expanding and stimulating its domestic demands (*neixu*). In attempting soft power development, China also needs a domestic-driven strategy.

Today's China is influenced by the U.S. cultural and educational offensive – a soft dimension of American foreign policy. China is inspired by American theory and practice of soft power for winning "minds and souls" in other countries and cultures. China also wants to mobilize its own soft resources to compete and collaborate internationally. Soft power has become one of the most important foreign policy tools for China.

However, the domestic driving forces for China's soft power are still not enough. Culture, linguistics, education and sports aside, China has been reluctant to mobilize its political resources of soft power. The introduction of a political reform towards accountability, good governance, justice, and openness – an unprecedented great experiment in global political history, will eventually help achieve China's enormous soft power potential.

China's next core pursuit should not only be to continue building a prosperous economy but to advance its soft power. In this new objective, the legacy of the Beijing Olympics may serve as a turning point if we can draw good and right lessons from it.

Professor Pang Zhongying teaches at the School of International Studies, China's Renmin University.

Publication

China's Rise: Challenges and Opportunities, Peterson Institute for International Economics and CSIS, (Washington, DC: September 2008)

By **C. Fred Bergsten**, **Charles W. Freeman III**, **Nicholas R. Lardy**, and **Derek J. Mitchell**

This book examines key aspects of China's global role and U.S.-China relations, and is the publication of the China Balance Sheet project which has been conducted by the Peterson Institute and CSIS over the last three years. Our initial product, *China the Balance Sheet: What the World Needs to Know Now About the Emerging Superpower* was released in 2006. The new volume identifies the most important future areas of challenges and potential cooperation in U.S.-China relations.

Conferences & Events

October 6 *China's Capacity to Manage Infectious Diseases and Its Global Implications*

This conference will bring together a cross-section of our commissioned experts to present their research findings on infectious disease management in China and the global implications. The conference will feature a luncheon keynote address delivered by **Kent R. Hill**, USAID Assistant Administrator for Global Health. The conference will include three panels focusing on current infectious challenges, China's healthcare reform, and regional and global implications.

October 7 *Rise and Impact of Chindia*

Zhao Gancheng, Visiting Fellow with the CSIS Freeman Chair in China Studies, will provide his perspectives on current China-India relations. **Ambassador Teresita C. Schaffer**, Director of CSIS South Asia Program, will serve as a discussant. The event will be moderated by **Bonnie Glaser**, Senior Associate, CSIS Freeman Chair in China Studies.

October 8 *Book Launch – China's Rise: Challenges and Opportunities*

The Peterson Institute for International Economics and CSIS will host a conference to launch our new study, *China's Rise: Challenges and Opportunities*. It will feature remarks from book co-authors, and a panel of former U.S. ambassadors to China including **James Lilley**, **Stapleton Roy**, and **James Sasser**, for a timely discussion on U.S.-China relations in light of the upcoming presidential election.

What's New

We are pleased to welcome Ms. Bonnie Glaser to join the CSIS Freeman Chair in China Studies as resident senior associate. A prominent specialist on Chinese foreign and security policy, cross-Strait relations, and U.S.-China relations, Ms. Glaser was previously a senior associate in the international security program at CSIS. She is concomitantly a senior associate with the Pacific Forum, CSIS and a consultant for the U.S. government on East Asia.

PUBLICATIONS FROM THE FREEMAN CHAIR 2007/2008*

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

2008

September

China's Rise: Challenges and Opportunities, Peterson Institute for International Economics and CSIS (Washington, DC: September 2008)

By **C. Fred Bergsten**, Director, Peterson Institute for International Economics, **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS, **Nicholas R. Lardy**, Senior Fellow, Peterson Institute for International Economics, and **Derek J. Mitchell**, Senior Fellow for Asia, International Security Program, CSIS.

June

"Assessing Chinese Government Response to the Challenge of Environment and Health," CSIS, June 2008

By **Charles Freeman**, Chairholder, Freeman Chair in China Studies, CSIS, and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

La Democrazia Gestita [Managed Democracy], *Aspenia*, No. 41, 2008, Aspen Institute Italia

By **Melissa Murphy** (contributing author), Research Associate, Freeman Chair in China Studies, CSIS

May

"China-Europe Relations: Implications and Policy Responses for the United States," CSIS, May 2008

By **Bates Gill**, Director, Stockholm International Peace Research Institute (SIPRI), and **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS

February

Foresight: 2008, Exclusive Analysis Limited, London: 2007

By **Melissa Murphy** (Contributing Author), Research Associate, Freeman Chair in China Studies, CSIS

"Assessing China's Response to the Challenge of Environmental Health," *China Environment Series 9*, China Environment Forum, Woodrow Wilson International Center for Scholars, 2007

By **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS, and **Bates Gill**, Director, Stockholm International Peace Research Institute

January

"Trade with China: The E.U. Speaks with an American Accent," *Atlantic Outlook*, vol. 2, no. 1, CSIS, January 29, 2008

By **Charles Freeman**, Freeman Chair in China Studies, CSIS

"Critical Questions: China's Economy and the Subprime Crisis," CSIS, January 29, 2008

By **Charles Freeman**, Freeman Chair in China Studies, CSIS

"Decoding Chinese Politics: Intellectual Debates and Why They Matter," CSIS, January 2008

By **Melissa Murphy**, Freeman Chair in China Studies, CSIS

2007

November

"China: An Olympic Hangover?," *Global Forecast: The Top Security Challenges of 2008*, CSIS, November 2007

By **Charles Freeman**, Freeman Chair in China Studies, CSIS

"China's Civil Society Organizations: What Future in the Health Sector?," CSIS, November 2007

By **Bates Gill**, Director, Stockholm International Peace Research Institute, **J. Stephen Morrison**, Director, Africa Program, CSIS, and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

The China Report 2008

Melissa Murphy (contributing author), Exclusive Analysis Limited, London: 2007

October

"China's Response to HIV/AIDS and U.S.-China Collaboration," CSIS, October 2007

By **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS, and **Bates Gill**, Director, Stockholm International Peace Research Institute

FREEMAN FACTS:

Chinese Language and Culture Education

1. According to estimates from the Chinese Ministry of Education, there are currently 30 million people learning Chinese overseas. This figure is expected to reach as high as 100 million by 2010.
2. As of 2008, there are over 260 Confucius Institutes in 75 countries. The Confucius Institute was initiated in 2004 to satisfy the surging overseas demand for Chinese language learning.
3. Since 1950 when the first 33 international students were invited to China, over 1.24 million international students have studied in China.
4. In 2007, 190,000 international students from 188 countries studied in China.
5. 68,000 international students in China were enrolled in diploma programs in 2007. The number is increasing by 3,000 per year.

Sources: China Daily, People's Daily, Xinhua

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

Center for Strategic and International Studies 2007

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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/>