

FREEMAN REPORT



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QUOTE OF THE MONTH

"The mainland will buy more products from Taiwan and send more tourists to the island, while encouraging more Taiwan enterprises to set up on the mainland to maintain stable development," said Chen Yunlin, Chairman of China's Association for Relations Across the Taiwan Strait. In the third of the newly established biannual meetings, the mainland and Taiwan signed three sets of agreements in Nanjing on April 26, further signaling a warming of relations across the Strait. The agreements will increase daily flights between Taiwan and the mainland, remove barriers for investment and banking, and enhance cooperation on cross-Strait crime and drug trafficking.

Source: *Xinhua*, April 26, 2009

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 Article

BEIJING'S NORTH KOREA CONUNDRUM:
WHAT SHOULD CHINA DO NEXT?

Bonnie Glaser

Is China afraid of North Korea? China's muted response to North Korea's recent provocations has given pause to some members of the international community. In the wake of Pyongyang's provocative actions in recent weeks, the United States, Japan and other key countries sought a harder edge in China's policy toward its troublesome neighbor to the northeast, but thus far China has not been compliant. Beijing's recalcitrance in this regard may reflect a different set of interests from those of the United States and others, but need not necessarily signal an end to China's central role in moderating North Korea's behavior.

On April 5th, despite the threat of international censure, Pyongyang went ahead with a putative missile launch, and subsequently announced an intention to quit the "Six Party Talks" designed to address North Korea's nuclear program. Steps followed to reactivate the nuclear program at Yongbyon. Some Six Party members clearly believe that China, as the country with the only real potential leverage on Pyongyang, should be more forceful with North Korea. But China's leadership appears to believe that there are better, less confrontational ways to influence Pyongyang's behavior. If the past is a reliable guide, Beijing will strike a balance between working with other nations to censure North Korea's objectionable behavior and preserving its 60-year friendship with the North, while seeking to convince all parties to return to multilateral negotiations.

A decision to join the (unanimous) UN Security Council presidential statement issued on April 13 reflected Chinese efforts to assuage the concerns of those countries most concerned about North Korea's "satellite launch." Yet while, with Russia, China agreed to stronger-than-expected wording in the statement, it refused to support a more forceful, binding resolution favored by the United States and

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Japan. The final statement condemned North Korea for the launch, but due to a lack of consensus, was silent on whether the launch was a satellite, missile, or something else.¹ It also labeled the launch as “in contravention of” Security Council Resolution 1718 passed in October 2006 following Pyongyang’s nuclear test, but stopped short of declaring it “in violation” of Resolution 1718, language preferred by Tokyo in particular. Indeed, China deliberately avoided publicly warning against the launch, calling instead for all “relevant parties” to “exercise restraint,” “remain calm,” and “avoid any action that could further complicate the situation.”

Linking the launch to UNSCR 1718 did, however, provide ammunition for those seeking to punish North Korea for the provocation. Following the April 13 presidential statement, and pursuant to 1718, the responsible UNSC committee agreed to sanction three North Korean companies for assisting Pyongyang’s banned nuclear weapons and ballistic missile programs.²

In the weeks leading up to April 5th, China demonstrated its concerns with North Korean intentions, but stopped short of publicly warning Pyongyang to refrain from the launch. Beijing dispatched Vice Foreign Minister Wu Dawei to Pyongyang in February. China also sent a more robust message by dispatching high-level party and military delegations to the North’s rival to the South to signal its dissatisfaction with Pyongyang’s behavior. Immediately following the launch, China worried that an excessively harsh response would upset the Six Party Talks, and thus was quick to urge others to exercise restraint and, at the UN, called for a “cautious and proportionate” response.

Chinese officials privately say that Beijing agreed to relatively harsh language and a tightening of sanctions on a few North Korean companies in order to preserve good Sino-Japanese relations; and was also influenced by a desire to cooperate with the Obama administration and strengthen Sino-American ties. A third factor may have been that Pyongyang had already signaled an intent to pull out of the Six Party Talks if the UNSC censured the launch in any way. Milder wording may therefore have gained China nothing with Pyongyang while irritating Japan

IN THE NEWS

London—Chinese President Hu Jintao met with U.S. President Barack Obama on the sidelines of the G20 conference in London on April 1. The leaders agreed to “upgrade” two former bilateral dialogues, the Strategic Economic Dialogue (SED) and the Strategic Dialogue, into one single mechanism of the “U.S.-China Strategic and Economic Dialogue”. The new dialogue will involve a strategic track, chaired by the U.S. Secretary of State Hillary Clinton and Chinese State Councilor Dai Bingguo, and an economic track, chaired by U.S. Secretary of Treasury Timothy Geithner and Chinese Vice Premier Wang Qishan. The upgrade of the dialogues reflects the growing importance of the bilateral relations. The first round of the meetings is scheduled for the summer of 2009.

Beijing—On April 6, the Central Committee of the Communist Party of China and the State Council jointly issued the guidelines of China’s health care reform plan. The guidelines were released after over two years of debate and revision, and marked the important first step in China’s highly anticipated medical reform to ensure fair and affordable health care for all 1.3 billion citizens. The government has pledged to spend over USD124 billion between 2009 and 2011 on the reform plan, amounting to about 3% of the nation’s GDP. The reform is aimed at providing universal access to basic health services, making health insurance, health care, and prescription drugs more affordable, and improving China’s ability to manage public health emergencies.

and the United States. Finally, it should be noted that, in China’s eyes, the presidential statement is non-binding regardless of tone.

Assuming that China’s willingness to condemn the North Korean launch and tighten targeted sanctions is a precursor to a harder approach by Beijing to its ill-behaved neighbor would be a mistake. Although China has considerable leverage over North Korea, Chinese leaders believe that they cannot afford to use that leverage without endangering China’s interests. In Beijing’s view, cutting off or reducing energy supplies to the North would precipitate instability, triggering a refugee crisis that could spill over into northeast China and even prompt South Korean forces to intervene. Furthermore, preserving solid relations with North Korea continues to be important to Beijing, particularly this year, the 60th anniversary

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of the establishment of diplomatic ties between the two countries and the year of Sino-DPRK friendship.

Notwithstanding the limits on China's willingness to pressure North Korea, the resumption of the Six Party Talks unquestionably serves China's interests. Through its role as host and an increasingly active participant, Beijing has demonstrated itself as a "responsible stakeholder," and boosted its regional influence. There are steps that Beijing can and should take now to get the denuclearization talks back on track. First, China should send firm messages to Kim Jong Il that continuing negotiations in the Six Party Talks is important to both Chinese and North Korean security.

Second, Beijing should step up pressure on Pyongyang in the following ways:

1. Delay provision of economic assistance over and above previously agreed amounts that was reportedly pledged by China to North Korea in late January during the visit to Pyongyang by Wang Jiarui, the head of the Party's International Department. China's reluctance to reduce aid that is part of an annual agreement should not extend to new assistance that can be made conditional on Pyongyang's return to its commitments under the September 19, 2005 and February 13, 2007 Six Party Talks agreements.
2. Further strengthen enforcement of China's export controls to prevent transfer of missile technology to North Korea, something that Beijing, despite its broad discomfort with international sanctions on Pyongyang, has accepted as important for Chinese interests.
3. Deny assistance to North Korea's space program, since it is impossible to prevent diversion of satellite technology to military use.
4. Join the Proliferation Security Initiative, which seeks to stem the illicit trafficking of weapons of mass destruction and delivery systems, and therefore signal to Pyongyang, as well as the other Six Party Talks members, its firm opposition to proliferation.

Chinese officials are privately candid about their displeasure with the provocations of the Hermit Kingdom. That they are not more publicly or diplomatically forceful with their fellow People's Republic does not, however, reflect a fear of Pyongyang. Rather, China's stance is rooted in its own calculations of Chinese interests on the Peninsula. Nevertheless, in the wake of Pyongyang's

most recent provocation, Beijing must take concrete actions to prevent further intensification of the current crisis. In accordance with Deng Xiaoping's foreign policy dictum, even as China "takes a low profile," it should "get something accomplished."

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[1] Privately, Beijing shared Moscow's stance that the treaty on the peaceful use of outer space gives North Korea the right to launch a satellite into orbit, while UNSCR 1718 only bars ballistic missile launches.

[2] Japan and the U.S. had proposed a list of 14 North Korean companies, however China and Russia would only agree to sanction three.

PUBLICATIONS

- "U.S.-China Relations: A Good Beginning is Half Way to Success," Comparative Connections, Pacific Forum CSIS, April 2009. By Bonnie S. Glaser, Senior Fellow, Freeman Chair in China Studies, CSIS

The U.S.-China relationship got off to a good start under the Obama administration, putting to rest Chinese worries that a prolonged period would be required to educate the new U.S. president about China's importance. In her discussions with Chinese leaders, Secretary of State Hillary Clinton focused on the need to deepen and broaden the U.S.-China relationship, and to elevate cooperation to address urgent global problems, especially the financial crisis and global warming.

- China's Capacity to Manage Infectious Diseases: Global Implications, CSIS Freeman Chair in China Studies, March 31, 2009. Project Director: Charles W. Freeman III, Chairholder, Freeman Chair in China Studies, CSIS. Project Editor: Xiaoqing Lu, Research Associate, Freeman Chair in China Studies, CSIS

Three decades of double-digit economic growth have not been matched by progress in China's ability to prevent and treat diseases. If China cannot meet its health care challenges, it will further tax an already strained international infrastructure. On the other hand, if China is successful, it can not only short-circuit an international spread of disease but also become a net donor to the global health community. The Freeman Chair in China Studies at CSIS assembled a group of international experts to address the current health care situation in China, China's efforts to tackle the problems of infectious disease and health care reform, and the regional and global dimensions of these reform efforts.

Publications from the Freeman Chair 2009*

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

2009

April

■ “U.S.-China Relations: A Good Beginning is Half Way to Success,” *Comparative Connections*, Pacific Forum CSIS, April 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS

March

■ China’s Capacity to Manage Infectious Diseases: Global Implications, CSIS Freeman Chair in China Studies, March 31, 2009. Project Director: **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS. Project Editor: **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

■ *Critical Questions*: A “G-2” Summit? Barack Obama and Hu Jintao on the Sidelines of the G-20, CSIS, March 25, 2009. By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies

■ “Soft Power with Chinese Characteristics: The Ongoing Debate,” in *Chinese Soft Power and Its Implications for the United States: Competition and Cooperation in the Developing World*, ed. **Carola McGiffert**, CSIS, March 2009. By **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS, and **Melissa E. Murphy**, Fellow, Freeman Chair in China Studies, CSIS

■ *Smart Power in U.S.-China Relations: A Report of the CSIS Commission on China*, cochaired by **William S. Cohen** and **Maurice R. Greenberg**; directed by **Carola McGiffert**, CSIS, March 2009. **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS, is a commissioner; **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS, and **Melissa E. Murphy**, Fellow, Freeman Chair in China Studies, CSIS, contributed to the report.

February

■ “Wang Jiarui’s New Year’s Visit to Pyongyang and China’s New Approach to North Korea,” *China Brief*, volume 9 issue 4, Jamestown Foundation, February 20, 2009. By **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS, and **Scott Snyder**, Director of the Center for U.S.-Korea Policy, Asia Foundation

■ “Sino-U.S. Relations: Next 30 Years Will Require Closer Cooperation and Coordination,” *Oriental Morning Post* (in Chinese), February 2, 2009. By **Melissa E. Murphy**, Fellow, Freeman Chair in China Studies, CSIS.

January

■ “Commentary: Chasing the Currency Dragon,” CSIS, January 28, 2009. By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS

■ “U.S.-China Relations: Ties Solid for Transition, but Challenges Lurk,” *Comparative Connections*, Pacific Forum CSIS, January 2009. By **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS

■ “What Hu Jintao Should Expect: Predictions about Obama Administration Policy toward Taiwan,” *PacNet*, no. 1, Pacific Forum CSIS, January 5, 2009. By **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS

Conferences and Events

■ **May 1:** China's Economy in the Wake of the Financial Crisis: Implications for US Policymakers

CSIS will host a briefing for congressional staff featuring **Charles W. Freeman III**, Freeman Chair in China Studies, CSIS, and **Nicholas Lardy**, Senior Fellow, Peterson Institute for International Economics. The panel will address where China's economy is going, who is shaping China's economic recovery plan and to what end, China's evolving role in the global trade community, and prospects for the U.S.-China trade relationship. For more event information, please contact Carl Rubinstein at CRubinstein@csis.org.

■ **April 22:** U.S.-Taiwan Relations in a New Era: Looking Forward 30 Years After the Taiwan Relations Act

President Ma Ying-jeou delivered the opening address for the event via videoconference. **The Honorable Richard Armitage**, former U.S. Deputy Secretary of State and President of Armitage International, introduced President Ma. **The Honorable Paul Wolfowitz**, Chairman of the U.S.-Taiwan Business Council, delivered a luncheon keynote address. The two panels constructively analyzed and critiqued the Taiwan Relations Act's relevance today, its effect on U.S.-Taiwan-China relations, and the future of U.S.-Taiwan relations, particularly within the context of the ongoing warming of relations across the Taiwan Strait.

■ **April 2:** Taiwan's Quadrennial Defense Review and Defense Strategy

Alexander Chieh-cheng Huang, Professor of Strategic Studies and Director of Graduate Institute of American Studies at Tamkang University and CSIS Senior Non-Resident Associate, presented his analysis of Taiwan's QDR. **Mark Stokes**, Executive Director, Project 2049 Institute, and **Michael Swaine**, Senior Associate, China Program, Carnegie Endowment for International Peace, offered comments on his presentation. **Bonnie S. Glaser**, Senior Fellow, CSIS Freeman Chair in China Studies, moderated the discussion.

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FREEMAN FACTS

China's Automobile Market

1. First-quarter vehicle sales in China grew by 3.8% year-on-year to 2.68 million units, making China the largest car market in the world.
2. General Motors sold 363,701 vehicles in China in the first three months of 2009, an increase of 16.8% from a year ago.
3. Subsidies of up to US\$8,800 are being offered to taxi fleets and local government agencies in 13 Chinese cities for each hybrid or all-electric vehicle they purchase.
4. The state electricity grid has been ordered to set up electric car charging stations in 3 Chinese cities – Beijing, Shanghai, and Tianjin.

Source: Fortune, New York Times, Xinhua

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