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Quote Of The Month

"The biggest risk we face is not that China will overtake the U.S. but that China will not move ahead with the reforms necessary to sustain its growth." ~ U.S. Treasury Secretary, **Henry Paulson**, delivering a landmark speech ahead of his trip to China to discuss the establishment of the U.S.-China Strategic Economic Dialogue. He set out the framework for a comprehensive new strategy towards China and urged the country to embrace market-oriented policies. In his remarks, Secretary Paulson said "The United States has a huge stake in a prosperous, stable China – a China able and willing to play its part as a global economic leader."

Source: Financial Times, September 14, 2006

Trivia Question

What proportion of the Chinese territory is affected by acid rain? (cont pg 3)

For other additional resources on China and East Asia, please also visit the website of our sister institution, Pacific Forum CSIS, at www.csis.org/pacfor/.

FEATURE ESSAY

Shinzo Abe and Japan's China Policy: Waiting for "Mr. Just Right"?

BY RICHARD J. SAMUELS

Generations of American parents have read their children a story called "Goldilocks and the Three Bears," the story of a young girl who wanders into the bears' home in the woods. Goldilocks sits on chairs that are too big and too small, before finding one that is "just right." She rejects bowls of their porridge as being too hot or too cold, until she finds one that is "just right." Like most children's stories, Goldilocks is metaphorical. Americans use it to describe the process of finding just the right balance between alternatives that are too extreme.

This metaphor captures the challenges awaiting Abe Shinzo, Japan's new prime minister – particularly in the key areas of foreign and security policy such as toward Korea, China, and the United States. His predecessor, Koizumi Junichiro, had already been like Goldilocks in his extended effort to find just the right policy toward North Korea. In his 2002 visit to Pyongyang he explored engagement, only to move toward a harder, more confrontational line. If the first was too hot and the second too cold, Abe is left with the responsibility to find a policy toward the DPRK that is "just right."

China policy provides the same challenge. Prime Minister Koizumi often acknowledged that Sino-Japanese economic relations are mutually beneficial and complementary. Indeed, bilateral trade has never been more robust. Japan provides China with technology and capital, while China provides Japan with cheap production and an export platform. Ten million Chinese work in Japanese firms, and that number continues to grow as Japan redirects its direct foreign investment toward China and away from the United States. Japan's export dependence on China has soared – nearly to U.S. levels – and the share of Japanese imports from China has nearly doubled. Both countries are energy importers, so each benefits considerably from global resource development, from stability in the sea lanes, and from the efficient use of resources. And both have an abiding interest in a vibrant regional economy. (cont pg 2)

In The News

BEIJING China issued new media restrictions on September 10, requiring that foreign news agencies distribute news content and financial information exclusively through the state-controlled Xinhua New Agency. Under the rules, news that disrupts "China's economic and social order" or undermines "China's social stability" will be banned. New controls over the already tightly regulated media market in China have ignited widespread international criticism. While some experts interpret this move as representing an increased commitment to cracking down on media reporting, others believe that the main motivation behind the new rules is financial, as Xinhua's monopoly on the financial information market is likely to lead to significant economic gains.

HELSINKI Chinese Premier Wen Jiabao's grand tour to Europe last week demonstrated the growing depth and complexity of China-European Union relations. Premier Wen began his trip by attending the China-Europe Summit and the Asia-EU Meeting (ASEM) in Helsinki, during which European leaders urged China to address concerns over its environment and human rights record. He also visited the United Kingdom and Germany amid increasing criticism of recent Chinese government's crackdowns. However, with the signing of a number of large commercial contracts and cooperation agreements, Premier Wen's European tour underscored the importance of business ties in the China-Europe partnership.

According to a December 2003 *Yomiuri Shimbun* poll, fifty-three percent of Japanese respondents considered the United States to be the most important country from a political perspective, compared with thirty percent for China. But, when asked who Japan's most important trade partner is, more than half answered China – twice as many as named the United States.

Still, Japan's China diplomacy has been confrontational. Koizumi poked a long sharp stick in Beijing's eye by repeatedly visiting the Yasukuni Shrine, most recently in August 2006. Abe secretly visited the shrine in April. Notwithstanding the fact that Beijing uses anti-Japanese nationalism to consolidate its own power, Tokyo has not gone nearly far enough to earn the trust of its neighbors. Japan still has a very bad reputation in East Asia due to its unwillingness to confront history squarely – undoubtedly the largest constraint on its diplomacy. Japanese voters await a Goldilocks who will get the history issue – and China policy – “just right.”

What would this take? And is Abe the man for the job? Sino-Japanese trade and investment are at record levels, so clearly more needs to be done. Certainly a moratorium on Yasukuni visits by the prime minister, a suggestion made by former diplomat Togo Kazuhiko, would be a start. Replacing the current *modus vivendi* in which China and Japan compete for regional dominance would be helpful as well. If redirected through multilateral institutions, Sino-Japanese competition could be positive for both sides. Japanese strategists could continue to proceed functionally, building cooperation in specific policy areas such as energy, crime, the environment, and the economy. They could continue taking small and very tentative steps toward a “comprehensive” arrangement, an “open, transparent, and inclusive” regional trade bloc. Tokyo has sent intermittent signals that it could accept an “East Asia Community” (“EAC”) that excludes the United States, and in the run-up to the first meeting of the nascent EAC in Kuala Lumpur in December 2005, Japan's ambivalence about U.S. participation was more transparent than the economic institutions it was proposing.

Finally, therefore, Abe has to find the right balance in the Japan-U.S. alliance. The United States is still Japan's most important source of security. It will continue to be embraced – but at what cost? Koizumi tilted hard in the American direction, a move that fortunately has not yet cost the lives of Japanese soldiers, but that could in the future, if a correction is not made. Abe has been similarly willing to court entanglement to avoid abandonment. But it is not at all clear how Japanese citizens will respond if one of the Japanese military transports left behind in Kuwait to ferry U.S. soldiers and materiel, is brought down by hostile fire.

If he is to be Japan's “Goldilocks,” Abe will reposition Japan – neither too close nor too far from the United States. Building an EAC that resembles the stable, prosperous, economically integrated Western Europe – and built upon a Japanese commitment to the values of democracy and freedom – would be “just right.” So long as the security relationship with the United States is properly attended, Japan could balance against U.S. and European economic power while insuring itself against Chinese military power without destabilizing the relationship.

Washington seems confident that Abe appreciates our many shared national interests. It will continue to monitor the construction of Asia's new economic architecture, and will want to be sure that it is open and built upon a liberal vision. It will have to be patient when “Goldilocks” repairs Japan's relationships with Korea and China. It will also have to appreciate – or at least not be too surprised – when “Goldilocks” might distance Japan from the United States in areas where interests diverge, as in the case of Iran.

An effective Prime Minister Abe will possess an independent, full-throated voice on security issues as well as a keen eye for economic advantage. He will neither lead Japan too far toward great power status, nor allow it to remain so dependent upon the United States as to risk further entanglement. He will abandon Japan's cheap riding and will consolidate its military gains, without allowing them to drag Japan down. In short, he will appreciate that the costs of remaining a U.S. ally are escalating, but will avoid allowing them become too great to bear.

Dr. Richard J. Samuels is Ford International Professor of Political Science and Director of the Center for International Studies at the Massachusetts Institute of Technology. His next book, *Securing Japan*, will be published by Cornell University Press in 2007.

PUBLICATIONS

"HIV/AIDS in Xinjiang: A Growing Regional Challenge", China and Eurasia Forum Quarterly, Volume 4, No. 3, 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Gang Song**, Research Intern, Freeman Chair in China Studies

Gill and Song examine the growing problem of HIV/AIDS in Xinjiang, a focal point around which many domestic and transnational challenges converge. Neither Beijing nor the international community has focused sufficient attention on the HIV problem in Xinjiang, and how it relates to broader transnational concerns of drug trafficking, the spread of infectious disease, and political discontent. The authors consider the transnational security threats HIV may pose to China and its neighbors in Central Asia, and argue that the challenges of HIV/AIDS in the region will need to be met head on sooner rather than later.

"Taming the Dragon and Marching in Step with the Elephant", Challenge Europe, European Policy Center, September 2006

By **Pramit Mitra**, Research Associate, South Asia Program, CSIS and **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS

Mitra and Murphy analyze how the United States views the challenge of a rising China, and examine changes in relations between the United States and India. A range of different strategic interests and concerns underlie the divergent views in Europe and the United States regarding China and the appropriate policy response. Meanwhile, given China's economic and military rise as well as uncertainty about the future of the Korean Peninsula, the Bush administration sees the current situation as a powerful argument for closer collaboration with India.

"China and the Shanghai Cooperation Organization: Post-Summit Analysis and Implications for the United States", China and Eurasia Forum Quarterly, Volume 4, No. 3, 2006

By **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

The article offers an analysis on the success of the Shanghai Cooperation Organization (SCO) following its recent summit, its functionality, and its future orientation. Huang argues despite what appears to be the marginalization of the United States in the region, there are limits to SCO's strengths and advantages, such as lingering distrust among the member countries. The convergence of interests among China, the SCO, and the United States calls for greater collaboration of all sides to confront transnational threats emanating from the region.

CONFERENCES AND EVENTS

September 18 Irreconcilable Differences?: The Rule of Law vs. Democratization in China

The Freeman Chair in China Studies hosted a symposium to examine the findings of a just-published book edited by Suisheng (Sam) Zhao of the University of Denver, entitled, *Debating Political Reform in China: Rule of Law vs. Democratization*. **Dr. Bates Gill**, CSIS Freeman Chair in China Studies, offered opening remarks. Four leading experts – **Dr. Suisheng (Sam) Zhao**, **Dr. Jerome Cohen** from New York University, **Dr. Stanley Rosen** from University of Southern California, and **Dr. Tianjian Shi** from Duke University – presented their views, followed by discussion on future paths of China's political reform and legal development. **Mr. Carl Minzner**, Council on Foreign Relations Visiting International Affairs Fellow at the Freeman Chair delivered keynote remarks.

[Click here for the conference audio.]

WHAT'S NEW

We are very pleased to announce that **Carl Minzner** has joined us under the Council on Foreign Relations International Relations Fellow program. Carl joined us from the Congressional-Executive Commission on China, where he served as Senior Counsel for the past three years. Carl will work with us for the next three months and will focus his research and writing primarily on the sources of social unrest in China.

We would also like to welcome our fall interns, **Eve Cary** and **Fan Fei**. Eve graduated from the Georgetown University School of Foreign Service. She worked with the World Bank's East Asia Health, Nutrition, and Population Department as well as the Development Marketplace. Fan is a graduate student at the George Washington University. She previously worked as a financial analyst with the Bank of China in Shanghai.

TRIVIA ANSWER

According to a recent pollution inspection report to the Standing Committee of the National People's Congress of China, one third of the Chinese territory is suffering from acid rain. This is mainly the result of rapid industrial growth that has led to increasing emissions of sulphur dioxide. The report found that 25.5 million tons of sulphur dioxide were spewed out in 2005, two times higher than accepted safety levels.

Source: "One Third of China 'hit by acid rain'", BBC News, August 27, 2006

PUBLICATIONS FROM THE FREEMAN CHAIR 2005/2006*

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

September

"Taming the Dragon and Marching in Steps with the Elephant", Challenge Europe, European Policy Center, September 2006
By **Pramit Mitra**, Research Associate, South Asia Program, CSIS and **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS

August

"HIV/AIDS in Xinjiang: A Growing Regional Challenge", China and Eurasia Forum Quarterly, Volume 4, No. 3, August 2006
By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Gang Song**, Research Intern, Freeman Chair in China Studies, CSIS

"China and the Shanghai Cooperation Organization: Post-Summit Analysis and Implications for the United States", China and Eurasia Forum Quarterly, Volume 4, No. 3, August 2006

By **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies. CSIS

July

"Military Diplomacy and China's Soft Power", Comparative Connections, CSIS Pacific Forum, Vol. 8, No. 2, July 2006

By **Robert Sutter**, Visiting Professor, School of Foreign Service, Georgetown University, and **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

June

"Assessing HIV/AIDS Initiatives in China: Persistent Challenges and Promising Ways Forward", Center for Strategic and International Studies, June 2006

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

May

"Sources and Limits of Chinese 'Soft Power'", Survival, Vol. 48, No. 2 (Summer 2006), International Institute for Strategic Studies

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Yanzhong Huang**, Assistant Professor at the John C. Whitehead School of Diplomacy and International Relations, Seton Hall University

April

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

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

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

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

March

China: The Balance Sheet. New York: Public Affairs, 2006

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

January

"Democracy Agenda May Revive U.S. Interest in Hong Kong", Hong Kong Journal, January 1, 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS and, **Chin-Hao Huang**, Research Intern, Freeman Chair in China Studies, CSIS

2005

November

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

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

October

"More Strait Talk: Ten Years after the Taiwan Missile Crisis", China Brief, Jamestown Foundation, October 25, 2005

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Intern, Freeman Chair in China Studies, CSIS

FREEMAN FACTS:

Poverty in China

1. The number of people in abject poverty (living on less than USD85 per year) had been reduced by 100 million in China from 1985 to 2005.
2. As of late 2005, there were 23.65 million people in China living on less than USD85 per year.
3. China has accounted for more than 75% of poverty reduction in the developing world over the last 20 years.
4. China's richest 20% enjoys 50% of the nation's wealth, while the poorest 20% earned just 5% of the total income.

Sources: Beijing Review, World Bank, Xinhua

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Center for Strategic and International Studies 2006

THE FREEMAN CHAIR IN CHINA STUDIES

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About the FREEMAN CHAIR IN CHINA STUDIES

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

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

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

Current research projects

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

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