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Quote Of The Month

"The reform of our nation's political system must maintain a correct political direction, must unrelentingly keep pace with economic and social development, and must endeavor to adjust to the active political participation of our nation's people." ~ Chinese President, **Hu Jintao**, speaking at the Communist Party's Central Party School in Beijing. President Hu's address came ahead of the 17th Communist Party Congress this October, an important five-year conclave during which the Party's plans for the future is expected to be unveiled. President Hu's remarks set a conservative tone ahead of the Party Congress. He further added that attempts to modernize China's political system must not jeopardize one-party rule. **Source:** International Herald Tribune, June 26, 2007

Trivia Question

How long is the torch relay for the 2008 Beijing Olympics? (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

Reflections on the Senior Dialogue

BY RANDALL G. SCHRIVER

In 2004 when then-Deputy Secretary of State Richard Armitage and Chinese Vice Minister of Foreign Affairs Dai Bingguo created the forum which U.S. officials now refer to as "the Senior Dialogue" some wondered aloud if we were set-up for failure from the outset. For starters, we couldn't even agree with our Chinese counterparts on the name of the Dialogue (and still can't). The Chinese insisted the forum be titled the "Strategic Dialogue," while the U.S. held firm that "strategic" was a term we reserved for our closest allies. There were worries on the U.S. side that the Chinese wanted yet another prominent venue through which to complain about U.S. support for Taiwan, while the Chinese worried that senior U.S. officials would not be able to partake in such a dialogue without pressing for the concrete deliverables that sell so well to the Congress and media.

Now into its third year (and its third Deputy Secretary of State), the Senior Dialogue is still "on probation" in the minds of many China analysts in the United States. However, a candid review of the brief history of the Senior Dialogue, to include the recently concluded discussions between Deputy Secretary Negroponte and Vice Minister Dai on 20 and 21 June in Washington, suggests the forum is both valuable and necessary. Though imperfect to be sure, the Senior Dialogue is worthy of sustained support and investment from both the United States and China. Consider the following:

If it didn't exist, you'd have to create it. The scope of U.S.-China interactions has expanded dramatically over the last decade. Even into the latter stages of the Clinton Administration, U.S.-China relations were mostly confined to a discrete set of well-known bilateral issues. Today, U.S.-China interactions affect every part of the globe for better or for worse – from peace-keeping in Haiti, to the prevention of genocide in Darfur, to non-proliferation in the Middle East, and so on. Global issues such as energy security, environmental protection, and prevention of disease and pandemic have also risen on the agenda. The U.S. and China desperately need a forum that is overarching, and can integrate the very complex issues associated with a relationship between two countries with global presence and global interests.

It's not the SED, part I. The Strategic Economic Dialogue (SED) has suffered in comparison for a variety of reasons. There are significant risks given the very structure of (cont pg 2)

In The News

WASHINGTON Despite soaring U.S. trade deficits, China was not tagged as a currency manipulator by the U.S. Treasury in its semi-annual currency report to Congress. However, renminbi was noted for the first time in this context to be "undervalued." The administration mentioned it would continue pressing Beijing to accelerate the pace of its currency reform and overhaul its economy to be less dependent on exports. Meanwhile, frustrated with lack of action on the currency front, U.S. lawmakers have introduced new Senate bills that increase pressure on the Bush administration to toughen its stance on Beijing.

BEIJING In the midst of international alarm over the quality of Chinese products, the State Council of China released its first five-year plan to improve safety standards on food and drug. The plan aims to improve inspections and tests on exported food. The new safety plan, which came at a time of intensifying U.S.-China trade tensions, is viewed as the Chinese government's efforts to undo the reputational damage from recent scandals including food contamination and toxic chemicals in Chinese toothpaste. Beijing has asked the new measures to be enforced by all levels of the government. However, real impact remains to be seen in face of widespread corruption and inefficiency within the government.

the SED which seem to be overtaking the benefits thus far. Within the first year of existence, six cabinet secretaries and the Federal Reserve Chairman visited China for the inaugural SED, followed by a reciprocal visit of 14 Chinese Ministry heads to the United States. Yet despite the tremendous senior level official involvement, the two countries have only very modest results to show for the investment. Unfortunately, no satisfactory explanation has been offered to the U.S. Congress why so little has come out of the SED, thus Congress has started to take matters back into their own hands in the form of punitive legislation aimed at China. While it's true the Treasury Department promised the Chinese that the SED would focus on large, strategic issues and wouldn't be a "super JCCT (Joint Commission on Commerce and Trade) focused on deliverables for each meeting," the realities of the U.S. political system serve to undermine U.S. best intentions. The Senior Dialogue, on the other hand, placed at the Deputy Secretary level, is conducive to a dialogue not focused on deliverables, but rather, on broadening the bilateral discussion topics to be global in nature, as well as to add strategic overlay to our interactions.

But, deliverables can creep in. There is value to a routinized, regular, sustained Dialogue at a sufficiently senior level to bureaucrats in most cases. Bureaucracies need action forcing events like senior level visits. In the context of U.S.-China relations, however, the value of forum is increasing rapidly. There is great fluidity to many of the challenges the United States and China are trying to manage. Yet summitry is irregular, overall interactions can be scaled up or down based on the political climate, and competing foreign policy agendas can constrain U.S.-China interactions unless the calendars are jealously guarded. But twice-a-year Deputy Secretary level discussions can be very well-placed to work on the most immediate problems of the day. During their most recent exchange, Deputy Secretary Negroponte and Vice Minister Dai were able to speak about the DPRK and Assistant Secretary Hill's visit to Pyongyang in real time, and China was able to voice concerns about the direction of things in Taiwan two days after an announcement in Taipei regarding a planned referendum.

It's not the SED, part II. The SED suffers from another fundamental weakness. Upon his confirmation into his cabinet post, Treasury Secretary Paulsen set in motion a transition for the internal management of U.S.-China relations that reached a fruition of sorts during the SED. While the impact of this shift in the internal management of policy making may be subtle, it nonetheless appears consequential in the sense that it forces a re-prioritization of bilateral issues, with economic and trade issues moving to the fore. There are two downsides that emerge from such a structure. One, this tends to highlight and accentuate the issues in the bilateral relationship that are the most contentious for the U.S. Congress and our domestic audience. And two, by placing the flagship Dialogue for the relationship under the Treasury Department, by extension the U.S. government, inadvertently empowers an agency to be the focal point of the bilateral relationship that simply lacks the broad purview and authorities appropriate for the complexities of U.S.-China relations. Only the Department of State, with broader responsibilities for the management of overall bilateral relations, as well as regional authorities and responsibilities for global issues, is well-suited to lead a forum that can serve as an umbrella dialogue to inform the activities of other agencies involved in U.S.-China relations.

The future demands it. It's not simply the case that current relations have reached a level of complexity that a forum such as the Senior Dialogue must be created. It's also quite clear that the future challenges (and in some cases, meaning the not very distant future) will require a common understanding of the strategic landscape and bilateral cooperation on strategic issues if we are to successfully navigate them without great power conflict. For example, Deputy Secretary Negroponte was able to hold a discussion about longer term security mechanisms for North East Asia. It is likely his stewardship of the Senior Dialogue will keep both sides focused on regional architecture for the remainder of his watch. This is badly needed (irrespective if we have high confidence that the Chinese will ultimately share our vision). In short, it is the intent of the U.S. side to introduce and explore what type of security structure might be appropriate for the challenges of North East Asia in a post-Six Party Talks era, and how would such a structure integrate with existing Pan-Asian organizations such as APEC, ASEAN Regional Forum, the East Asia Summit and the SCO. Other issues that are cross-cutting are beginning to emerge (e.g. Energy Security which contains elements of energy policy, maritime security, regional stability, foreign assistance, etc) that will impact the quality and sustainability of Sino-U.S. relations as we go forward.

The Senior Dialogue was envisioned to broaden the scope of U.S.-China bilateral discussion topics to be global in nature, as well as to add strategic overlay to our interactions. As such, perhaps to the outside viewership, yet another Chinese delegation has come to town and left again with little to show for it. But we should be relatively pleased with the outcome of Minister Dai's visit this time around, and should remain confident that the Senior Dialogue is serving a critical role in the management of one of the most important relationships in the world. With sustained support, the Senior Dialogue will be of even greater value as we go forward. As I wrote in this very newsletter two years ago, the greatest current challenge to the U.S.-China relationship is not conflict over Taiwan or escalating trade tensions. The greatest risk is a steady drift toward great power rivalry if not outright adversarial relations. I believe this remains true to this day, and I believe a well-managed Senior Dialogue may be one of the best venues available to collectively begin to arrest the drift toward becoming adversaries.

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

"U.S.-Hong Kong Relations: Prospects for a Unique Partnership," CSIS, July 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **James Tang**, Associate Professor, The University of Hong Kong

After ten years under Chinese rule, Hong Kong has proven its resilience in the face of various economic, social, and political changes. Yet, the people's aspiration for more democracy has not been fully met and concerns about press freedom and civil rights have been raised by critics. The authors argue that as Hong Kong stands at a political crossroads, and given its role in China's economic development, Washington's interest in Hong Kong should be encouraged, renewed, and sustained.

"Setting the Course," South China Morning Post, June 28, 2007

By **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

The authors opine that ten years after the reversion of Hong Kong to Chinese sovereignty, the state of the former British colony continues to draw a mixed and uncertain debate. While economic growth has seen a steady rebound, many discomfiting questions remain about the pace and scope of political reform. As Washington can have some influence over this, it should remain attentive to political developments in Hong Kong.

"The Tenuous Hold of China Inc. in Africa," The Washington Quarterly, Summer 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **James Reilly**, East Asia representative for the American Friends Service Committee

Although China's corporate engagement in Africa has yielded an impressive slate of strategic, economic, and diplomatic successes in recent years, the tensions between government principles in Beijing and corporate interests on the ground in Africa are likely to increase. Without stronger regulatory oversight and enforcement of policies at the local level, the authors warn that the potential for Chinese corporations and entrepreneurs to embarrass the central government and contradict national objectives will increase.

"An Overview: The China Balance Sheet," CSIS Strategy Report, Vol. 2, No. 19, June 12, 2007

By **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS, and **Chietigj Bajpae**, Research Associate, International Security Program, CSIS

The China Balance Sheet, a joint project of CSIS and the Peterson Institute for International Economics (PIIE), is now entering its third phase involving a major conference in spring 2008 and the publishing of a new book. The article provides an overview of domestic sociopolitical developments, economic issues, and foreign and security policy that will be addressed in the new phase.

CONFERENCE AND EVENT

July 9 Balance of Power in East Asia: A View from Taiwan

Dr. Joseph Wu, Taiwan's new Chief Representative in the United States, will discuss the recent developments in China-Taiwan cross-strait relations. **Dr. Bates Gill**, CSIS Freeman Chair in China Studies, will serve as moderator. To RSVP for this event, please contact Savina Rupani at srupani@csis.org.

WHAT'S NEW

We would like to welcome our summer interns, Mr. Silas Cardwell, Ms. Natalie Chang and Ms. Xuan Gui. Silas received his B.A. in Economics from Howard University and has previously taught English in Qinghai, China. Natalie is working towards a B.A. in Human Biology and an Honors certificate in international security studies from Stanford University. Xuan is a senior at Yale University, majoring in history.

TRIVIA ANSWER

According to the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG), the torch relay for the Beijing Olympics will cover 137,000 kilometers over 130 days. The organizers announced they would recruit 21,880 torchbearers for the torch relay, making it the biggest in the Games' history.

Source: "BOCOG announces biggest torch relay," *China Daily*, June 25, 2007.

PUBLICATIONS FROM THE FREEMAN CHAIR 2006/2007*

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

2007

June

"U.S.-Hong Kong Relations: Prospects for a Unique Partnership," CSIS, July 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **James Tang**, Associate Professor, The University of Hong Kong

"Setting the Course," South China Morning Post, June 28, 2007

By **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

"The Tenuous Hold of China Inc. in Africa," The Washington Quarterly, Summer 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **James Reilly**, East Asia representative for the American Friends Service Committee

"An Overview: The China Balance Sheet," CSIS Strategy Report, Vol. 2, No. 19, June 12, 2007

By **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS, and **Chietigj Bajpae**, Research Associate, International Security Program, CSIS

May

"China's Space Odyssey: What the Anti-satellite Test Reveals about Decision-Making in Beijing," Foreign Affairs, May/June 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **Martin Kleiber**, Research Assistant, CSIS

"China and HIV – A Window of Opportunity," New England Journal of Medicine, vol. 356, no. 18, May 3, 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, and **Susan Okie**, Contributing Editor, New England Journal of Medicine.

April

"Cebu Meetings, U.N. Veto on Myanmar," Comparative Connections, CSIS Pacific Forum, vol. 9, no.1, April 2007

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

March

Rising Star: China's New Security Diplomacy. Washington, D.C.: Brookings Institution Press, 2007

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

"The Long March against TB in China," South China Morning Post, March 24, 2007

By **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS, and **Elizabeth Van Heuvelen**, Research Intern, Freeman Chair in China Studies, CSIS

February

"China's Expanding Role in Africa: Implications for the United States," CSIS, January 2007

By **Bates Gill**, Freeman Chair in China Studies, CSIS, **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS, and **J. Stephen Morrison**, Director, Africa Program, CSIS

Foresight: 2007. Exclusive Analysis Limited, London: 2007

Contributing Author: **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS

January

"China's Evolving Civil Society: From Environment to Health", China Environment Series, Issue 8, 2006, Woodrow Wilson International Center for Scholars

By **Drew Thompson**, national director of China-Merck Sharp & Dohme HIV/AIDS Partnership, and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

"China-Southeast Asia Relations: Summity at Home and Abroad", Comparative Connections, vol. 8, no. 4, CSIS Pacific Forum, January 2007

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

"Young Girls in China: A New and Hidden AIDS Generation", Global AIDSLink, Issue #101, January/February 2007, Global Health Council

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

FREEMAN FACTS:

China and the Internet

1. As of the end of 2006, China had 137 million Internet users. The figure was an increase of 26 million or 23.4% over the previous year.
2. 82.9% of Chinese Internet users reside in urban areas.
3. China is expected to overtake the United States as the world's largest Internet territory (in terms of users) by 2009.
4. The highest proportion (35.2%) of Chinese Internet users are young people aged between 18 and 24.
5. Over the past four years, China has invested USD100 billion in building optical fiber cables in order to improve the infrastructure of the Internet industry.

Sources: China Internet Network Information Center, China News Service, Reuters, Xinhua

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Center for Strategic and International Studies 2007

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Bates Gill, Freeman Chair in China Studies

Savina Rupani, Program Coordinator and Special Assistant to the Freeman Chair

Xiaoqing Lu, Research Associate

Melissa Murphy, Research Associate

Chin-Hao Huang, Research Assistant

Eve Cary, Project Coordinator

Silas Cardwell, Natalie Chang & Xuan Gui, Research Interns

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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/>