

## FREEMAN REPORT

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## QUOTE OF THE MONTH

*“There is still a huge gap between China and the developed world... We are now predominantly committed to peaceful development, and we will not, and could not, challenge or threaten any other country.”* ~

**General Xu Caihou**, Vice Chairman of the Communist Party of China’s Central Military Commission, speaking at the Center for Strategic and International Studies in Washington on October 26. General Xu stated that China seeks continued participation in international peacekeeping and relief missions, anti-terrorism operations, and stronger military-to-military relations with the United States. He also emphasized the Chinese military’s role in internal and international disaster relief operations.

Source: Bloomberg, October 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

THE JAPAN-U.S.-CHINA TRIANGLE UNDER  
NEW MANAGEMENT

Michael J. Green

The Japan-U.S.-China strategic triangle is carefully watched across East Asia as the touchstone for regional peace and stability. A U.S.-Japan alliance that overtly seeks to contain China risks a dangerous scramble for Cold War style alignments across the region. A U.S.-China relationship that is too close risks marginalizing Japan and the other middle and small powers with her. A Japan-China relationship that is too close puts the forward U.S. military presence at risk. Most states in Asia – not to mention Tokyo, Washington and Beijing — have therefore preferred to keep the triangle stable. And so all eyes are now on Tokyo as Japan’s new prime minister, Yukio Hatoyama, promises to put his own unique stamp on Japan’s relationships with the United States and China.

Hatoyama’s formula for strategic triangle is somewhat crude and simple. He told the Washington Post that he seeks to use the U.S.-Japan alliance to balance China’s growing security threat and Japan’s relationship with China and Asia to balance the pernicious effects of U.S.-style capitalism. The latter theme is part of the Democratic Party of Japan’s (DPJ) broader indictment of Junichiro Koizumi’s “neocon” approach to the economy; an approach that gave Japan annual growth rates above the OECD average while Koizumi was in power, but also widened the gap between rich and poor (which are still well below the OECD average, but painful nonetheless for Japan’s comparatively egalitarian political economy). The theme of using Asia to “balance” the West is also a perennial in Japanese domestic politics with roots going back to the pan-Asian idealism of the Meiji modernizers and the Greater East Asian Co-prosperity Sphere during the Second World War. In the post-war era, Hatoyama’s own grandfather, Ichiro Hatoyama, promised to sign a peace treaty with the Soviet Union when he became the first prime minister from the Liberal Democratic Party (LDP) in 1955. This was not because the Soviets were popular – tens of thousands of Japanese prisoners of war were held for years in Soviet gulags – but rather because Hatoyama the elder sought to reduce Japan’s reliance on the United States. Later versions of the Asianist theme included the Fukuda Doctrine in the 1970s and the Ohira Doctrine in the 1980s, both of which involved massive economic aid that still leaves Japan one of the most popular countries in most of Southeast Asia to this day according to public opinion polls.

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Hatoyama has been attracted to the Asianist theme from his earliest days in the Diet. In the 1990s he formed a study group that included commentators like Jitsuro Terashima who wrote in popular weekly magazines that Japan should seek an “equidistant” relationship between the United States and China in order to balance American unipolarity. More recently, he pulled into his orbit former Vice Minister of Finance Eisuke Sakakibara, the architect of the failed “Asian Monetary Fund” proposal in the wake of the 1997-98 financial crisis. Koizumi’s own foreign policy vision also opened political space for Hatoyama and the DPJ to argue for more balanced relations with Asia. Since 1957 all Japanese prime ministers opened the Diet by declaring that Japan’s foreign policy would be based on the troika of the U.S.-Japan alliance, the UN System, and relations with Asia, but beginning in 2001, Koizumi declared that Japan’s foreign policy would be based on only two pillars -- “the U.S.-Japan alliance and international solidarity” – an implicit rebuke to the Asianists and assertion of Japan’s global ambitions.

Thus, in the broader sweep of Japanese history and politics, Hatoyama’s seemingly crude description of how to use the United States and China against each other has compelling logic—at least to domestic audiences. But does it have any traction in the region?

The flagship of Hatoyama’s new relationship with Asia and China is his call for an East Asia Community (EAC). The first thing that has to be said about the EAC is that it is not new. Koizumi himself signed up to the vision of an East Asia Community at summits with the Association of Southeast Asian Nations (ASEAN) and Korea and China back in 2005. The Chinese, Koreans and others are therefore wondering if Hatoyama has something different in mind this time. His Foreign Minister, Katsuya Okada, initially announced that the EAC should include Australia, New Zealand and India in addition to the original “ASEAN Plus Three” (Japan, Korea and China). This was Koizumi’s original formula as well as being the composition of the East Asia Summit. The whole purpose of expanding the number of democratic states was to limit China’s influence within the grouping. Not surprisingly, Beijing reacted coolly to Okada’s membership proposal, prompting Okada and Hatoyama to state that it may be too soon to say who exactly would be in the grouping. Then after a strongly negative reaction from the Obama administration over Tokyo’s initial claim that the EAC would exclude the United States, Hatoyama again backtracked and left open the possibility of U.S. participation.

If the form of the EAC is unclear, the function is even fuzzier. In general the focus is on trade agreements, but the current Japanese coalition has steered clear of liberalizing agriculture, so most Japanese FTA negotiations will probably stay on a slow track. There has been some significant financial cooperation,

## IN THE NEWS

**HANGZHOU** --- The 20th annual China-U.S. Joint Commission on Commerce and Trade (JCCT) concluded in eastern China’s Hangzhou city, just a few weeks ahead of President Obama’s first trip to China in November. The high-level talks between Chinese Vice Premier Wang Qishan and the U.S. Commerce Secretary Gary Locke, Trade Representative Ron Kirk, and Agriculture Secretary Tom Vilsack were overshadowed by a number of trade disputes. Agriculture was a key focus of this round of JCCT. The two sides signed agreements paving the way for the resumption of U.S. pork exports to China. In exchange, the United States agreed to lift a six-year-old restriction on Chinese poultry exports.

**SHANGHAI** ---- The United States and China are unlikely to sign a landmark agreement on climate change policies when President Obama visits Beijing in November, according to the U.S. special envoy for climate change Todd Stern, who was in Shanghai for talks on clean energy development and global warming. The fact that a climate agreement between the world’s top greenhouse gas emitters remains unrealistic underlines the weak position of the United States in climate discussions until cap-and-trade legislation is passed by Congress. In the lead up to the Copenhagen conference, Obama’s visit to China could still be pivotal in building a common understanding and setting the tone for global talks.

including agreements to institutionalize the Changmai Initiative’s debt swap arrangements among the ASEAN Plus Three, but Beijing and Tokyo are jockeying for leadership in that process and the global nature of the financial crisis has kept the focus on the IMF and G-20. China and Japan are also on opposite sides of the question of what norms should guide an East Asia Community. Beijing has argued that the EAC should enshrine the “non-interference” principle, but the mainstream view in Japan is that regional integration must lead to stronger accountability and rule of law within all member nations.

The Japanese public also appears wary of the “China” card. In the most recent opinion polls taken by the Japanese government, 76% of the public support the U.S.-Japan alliance and 73% said they feel “close” to America. In the same poll, 66% of the public said they did not feel close to China and 72% said they would oppose any effort to form an alliance

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with China. The Japanese public and political elite had a much more benign view of China during the Cold War, but over the last two decades the expansion of PLA military activities around Japan; Beijing's opposition to Japanese efforts to win a permanent UN Security Council seat; and repeated environmental and food safety scares emanating from China (most recently poison dumpings) have put China more solidly in the "threat" category, even though Japan has traded more with China than the United States for four years now.

Beijing may also be in for some unpleasant surprises with the new government in Tokyo. Hatoyama's pledge to play down the history issue will be welcome in China and Korea, but the DPJ is a more populist party than the LDP and will be tempted to exploit popular anger at whatever transgression China might commit in the lead-up to the Upper House election next summer. Given its "anti-bureaucracy" brand, the DPJ is also much closer to Japan's small civil society and NGO movement, which could bring an unfamiliar new dimension to the relationship for Beijing. Hatoyama is chair of the Diet Members League in support of Aung San Suu Kyi and some of Hatoyama's close lieutenants have said he may be the first Prime Minister to meet with the Dalai Lama. There are also reports that in their first face-to-face meeting, Foreign Minister Okada and China's Foreign Minister Yang Jiechi clashed over Xinjiang and Tibet.

If Hatoyama is not careful, his formula of using China and the United States to balance each other may end up alienating Japan from both. However, these are still early days for the new Japanese government and the hangover of campaign rhetoric has not yet cleared. The DPJ is also obsessed with preparations for the Upper House election next summer, which could knock the LDP out for another four years. Going into the election, Hatoyama's primary focus will be on redistributing the budget at home to favor DPJ constituencies over the LDP. In terms of foreign policy, he just needs to look competent and avoid too many obvious examples that he is backing away from his campaign promises (never a good thing when you are in the middle of making a whole new series of campaign promises). In short, there will probably be a lot of dodging and weaving and very little real national security strategy for the next year. What happens after that depends on the result of the Upper House election. Judging from the basic structure of international relations in East Asia and domestic public opinion within Japan, there will probably be far more continuity than change in Japan's approach to China and the United States. But then again, we are in *terra incognita* for Japanese politics.

*Michael Green is Senior Advisor and Japan Chair at CSIS and Associate Professor of International Relations at the Edmund A. Walsh School of Foreign Service at Georgetown University.*

## PUBLICATIONS

- "China's Health amidst the Global Economic Crisis: Potential Effects and Challenges," CSIS, October 19, 2009

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

The current economic crisis has hit China hard. With little sign of a resumption of global demand for Chinese exports, the leadership recognized that it needed to take aggressive action to ensure growth from alternative sources. As China moves to restructure its economy, a major overhaul of its health care system has become one of its top priorities. In April 2009, Beijing unveiled its blueprint for health care as part of its economic stimulus package – a much-anticipated reform to fix the ailing medical system and ensure fair and affordable health services. The reform plan anticipates improving public confidence in China's health care system and thus creating a multiplier effect through the economy in response to the global economic downturn. Despite these aspirations, however, Beijing's objectives might not be achieved without proper implementation of the plan.

- "Is China Ready to Challenge the Dollar?: Internationalization of the Renminbi and Its Implications for the United States," CSIS, October 19, 2009

By **Melissa Murphy**, Senior Fellow, and **Wen Jin Yuan**, Research Intern, Freeman Chair in China Studies, CSIS

The authors analyze claims that the Chinese renminbi (RMB) is ready to challenge the dollar as a reserve currency. Though China is the biggest holder of U.S. treasuries, it cannot yet "ditch the dollar" because of its vested interest in sustained trade relations with the United States. In order to internationalize the renminbi and strengthen its currency, the authors stipulate that China must go through several steps, which may be slow-moving. Therefore, the renminbi is a ways off from being an established international reserve currency. While China must take certain measures, the authors prescribe that the United States must watch for the likely decline of the dollar.

- "U.S.-China Relations: Strategic & Economic Dialogue Sets Agenda for Cooperation," *Comparative Connections*, v. 11 n.3, Pacific Forum CSIS, October 15, 2009

By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS

The article examines recent developments in the past year on issues of security, climate change, trade, and social issues, and analyzes the implications of these recent events for the last quarter of 2009. The author believes that the final stretch of this year in U.S.-China relations is optimistic where the two sides emphasize common interests, such as climate change and regional stability on the Korean peninsula. Options are on the table for Obama's first visit to China in November.

## Publications from the Freeman Chair 2009\*

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

### October

- “China’s Health amidst the Global Economic Crisis: Potential Effects and Challenges,” *CSIS*, October 19, 2009. By **Charles Freeman III**, Chairholder, and **Xiaoqing Lu Boynton**, Research Associate, Freeman Chair in China Studies, CSIS
- “Is China Ready to Challenge the Dollar?: Internationalization of the Renminbi and Its Implications for the United States,” *CSIS*, October 19, 2009. By **Melissa Murphy**, Senior Fellow, and **Wen Jin Yuan**, Research Intern, Freeman Chair in China Studies, CSIS
- “U.S.-China Relations: Strategic & Economic Dialogue Sets Agenda for Cooperation,” *Comparative Connections*, Pacific Forum CSIS, vol.11 n.3, October 15, 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS

### September

- “China’s eye on African agriculture,” *Asia Times*, October 2, 2009. By **Carl Rubinstein**, Research Assistant, Freeman Chair in China Studies, CSIS
- “A Blowout in U.S.-China Trade?” *Critical Questions*, CSIS, September 14, 2009. By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS
- “Obama’s Decision on Tariffs is Calculated Cynicism,” *Financial Times*, September 13, 2009. By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS

### July

- “China’s Policy in the Wake of the Second DPRK Nuclear Test,” *China Security*, Issue 14, 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS
- “The U.S.-China Strategic and Economic Dialogue,” *Critical Questions*, CSIS, July 17, 2009. By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS
- “U.S.-China Relations: Laying the Groundwork for Greater Cooperation,” *Comparative Connections*, CSIS Pacific Forum, July 14, 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS
- “Chinese perceptions of U.S. Decline and Power,” *China Brief*, vol. 9, issue 14, Jamestown Foundation, July 9, 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS, and **Lyle Morris**, Research Intern, Freeman Chair in China Studies
- “The G-8 and Hu Jintao’s Absence,” *Critical Questions*, CSIS, July 8, 2009. By **Steven Schrage**, Chairholder, Scholl Chair in International Business, CSIS, and **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS

### 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

## CONFERENCE AND EVENT

- **October 26** “CSIS Statesmen’s Forum: General Xu Caihou”

Chinese **General Xu Caihou**, Vice Chairman of the Communist Party of China’s Central Military Commission, spoke at the CSIS Statesman’s forum. **Dr. John Hamre**, President and CEO of CSIS, delivered introductory remarks. **Charles W. Freeman III**, Chairholder of the CSIS Freeman Chair in China Studies, moderated the discussion. General Xu outlined the versatility and growth of the PLA, while focusing on the PLA’s efforts and accomplishments in disaster relief. General Xu tied these developments to the greater context of Chinese foreign policy and Sino-U.S. relations.

For event video, please click *here*.

## WHAT’S NEW

We are pleased to welcome **Robert S. Wang**, who has recently joined CSIS as a visiting fellow with the Freeman Chair in China Studies. He is also a career Foreign Service Officer in the U.S. Department of State. Most recently, Dr. Wang was deputy director of the American Institute in Taiwan from August 2006 to September 2009. He joined the U.S. Foreign Service in 1984 and served abroad in Tokyo (1985–1987), Hong Kong (1987–1990), Shanghai (1994–1997), Singapore (1997–2000), and Beijing (2001–2005). He also served as Cambodia desk officer at the Department of State in Washington, D.C. (1991–1993).

We are also pleased to welcome **Li Weijian** to join CSIS as a visiting fellow with the Freeman Chair in China Studies. Professor Li is also Director and Senior Fellow of Department of West Asian and African Studies at the Shanghai Institutes for International Studies (SIIS). He is also Standing Council Member of China Association for Middle East Studies. He received his Ph.D. at SISU. Professor Li’s research interests focus on Middle East politics, energy, culture and China-Middle East relations.

## FREEMAN FACTS

### 2010 Shanghai World Expo

1. The Expo expects to host a total of approximately 70 million visitors, of whom 10 million will be foreign visitors.
2. There are over 200 participants in the Expo, which include countries, corporations, and organizations.
3. The Expo is scheduled for May 1 to October 31, 2010, totaling 184 days.
4. The Chinese government has provided \$100 million for the development of the Expo site.
5. The United States pavilion will cost approximately \$61 million, which will be raised through the private sector. The USA pavilion will cover 6,000 square meters, and is expected to attract 5-6 million visitors.

Source: Official website of the USA Pavilion

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## FREEMAN CHAIR IN CHINA STUDIES

**Charles Freeman**, Freeman Chair in China Studies  
**Bonnie Glaser**, Senior Fellow  
**Robert S. Wang**, Visiting Fellow  
**Li Weijian**, Visiting Fellow  
**Melissa Murphy**, Fellow  
**Savina Rupani**, Program Coordinator and Special Assistant to the Freeman Chair  
**Xiaoqing Lu**, Research Associate  
**Carl Rubinstein**, Project Coordinator/Research Assistant  
**Lee Ridley**, Project Coordinator/Research Assistant  
**Jeffrey Bean**, Research Assistant  
**Francesca Baruffi**, **Benjamin Dooley**, **Lee-Ting Wong**, and **Wen Yuan**, Research Interns