

## FREEMAN REPORT



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## QUOTE OF THE MONTH

*“I know there are many who question how the United States perceives China’s emergence... In an interconnected world, power does not need to be a zero-sum game, and nations need not fear the success of another.”* ~U.S. President **Barack Obama** speaking in Tokyo at the beginning of his week-long trip to Asia in November. President Obama made repeated assurances that the United States is seeking to form a partnership with China to enable China’s domestic and international growth, and to jointly solve global issues such as climate change.

Source: The New York Times, November 13, 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

CROSS-STRAIT PROSPECTS: TESTING U.S.  
COMMITMENT

*An anonymous contribution to the Freeman Chair in China Studies*

Cross-Strait relations have improved dramatically since President Ma took office in May 2008. The key to this development was Ma’s “no independence, no unification and no use of force” declaration that essentially relieved the PRC of its worst nightmare, i.e., Taiwan’s formal declaration of independence. In return, Beijing has implicitly accepted a diplomatic truce and allowed Taiwan to attain observer status in the WHO. More broadly, the PRC has moved forward expeditiously on the economic front opening up to direct links (now totaling 270 weekly flights), promoting Chinese tourism to Taiwan (now up to one million per year) and imports from Taiwan. While the Ma administration and the PRC are not scheduled to include discussion of the Economic Cooperation Framework Agreement (ECFA) in the formal SEF-ARATS talks in December, the two are expected to conclude an “early harvest” agreement by 2010 with Beijing agreeing to lower or eliminate tariffs on a significant list of Taiwan imports to compete with those from ASEAN countries.

The key question now is where cross-Strait relations will go from here. Will the PRC be satisfied with indefinitely maintaining the status quo, which in essence is Taiwan’s de facto independence? Sooner or later, it seems inevitable that some on the mainland will begin to press for concessions from Taiwan on the political front. They will want to get a return on the concessions the PRC has made on the economic and diplomatic fronts. After all, Beijing’s ultimate goal is reunification, not the status quo. The longer the status quo is maintained, the more it reinforces Taiwan’s de facto independence and the right of the people in Taiwan to decide their political future. This is certainly not something most on the mainland are prepared to accept at this time. While Beijing may be willing to tolerate the status quo for some time, it definitely does not recognize the right of the people in Taiwan to decide on the issue of reunification. So my guess

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is the pressure to move toward political talks – which will be equated to reunification talks since the PRC will insist on the “One China” premise – will build up sooner, rather than later.

Meanwhile, Beijing’s strategy is to win the hearts and minds of the people in Taiwan primarily via their pocket books. This may work to some extent. The people in Taiwan with economic ties to the mainland certainly prefer stability in cross-Strait relations. They generally opposed the previous DPP administration’s independence maneuvers that aggravated ties and increased tensions. This, however, is separate and far from a desire for reunification. Although Beijing may not yet be willing publicly to acknowledge it, the simple fact is virtually no one in Taiwan today seeks reunification with the mainland. No one looks forward to living under PRC rule, whether direct or indirect. It is doubtful that the PRC can offer enough economic incentives to change these sentiments under present circumstances, even among those supporting current cross-Strait policies, much less among those opposed to them. And given the nature of Taiwan’s political balance at this time, the KMT will find it very difficult to start political talks without risking its hold on power. Hence, as some on the mainland correctly fear, the current strategy is not likely to move Taiwan much closer to reunification.

At the same time, Beijing has continued to build up its military forces against Taiwan and, more precisely, against the United States if we should seek to intervene in any future cross-Strait conflict. From Beijing’s perspective, military force is still required to deter any future attempt to seek Taiwan independence, especially if the KMT administration should eventually be voted out of office. The recent Taiwan county elections probably raised some concerns in Beijing. Beyond this, however, the PRC may eventually be tempted to use its increasing military preponderance not just to prevent independence but to press the issue of reunification. By continuing to build up its “area denial” capability, Beijing is significantly raising the cost of intervention for the United States. At some point, Beijing may perceive its military advantage to be so overwhelming that it cannot conceive of the U.S. actually being willing to intervene militarily to prevent reunification. At this point, it is likely to begin applying pressure on Taiwan to start political talks. To further dissuade the U.S. against intervention, Beijing will characterize its pressure on Taiwan as “peaceful” in nature, i.e., it does not intend to use force but simply wants Taiwan to agree to start talks.

## IN THE NEWS

**SHARM EL-SHEIKH** ---- At the November 9 meeting of the Forum on China-Africa Cooperation (FOCAC), Chinese Premier Wen Jiabao pledged low-interest development loans of \$10 billion, with an extra \$1 billion in loans to small businesses in select African countries. China’s expanded involvement in Africa has raised the international community’s growing concern that China is becoming an imperial presence on the African continent. Yet, many African nations have chosen to accept the “no-strings-attached” loans from Beijing, which will expectedly enable governments to improve their infrastructure.

**VIENNA** ---- China backed an International Atomic and Energy Agency (IAEA) resolution on November 28, which called for a rebuke of Iran’s unwillingness to cooperate with the UN resolutions on censuring and monitoring Iran’s nuclear development program. China’s support for the resolution does not guarantee its support of future UN actions, such as economic sanctions against Iran. China’s vote, along with Russia’s support, however, indicates a step towards an international consensus on the issue. If Iran does not respond to the IAEA recommendations, members of the UN Security Council may vote to impose further measures to urge Iran to discontinue its alleged nuclear weapons development.

The people in Taiwan will also be carefully gauging the strength of the U.S. commitment to support Taiwan against such pressure from the mainland. To the extent that they see this commitment wavering, some may be resigned to accommodating Beijing. Others, however, will oppose reunification even more vigorously. This will widen the political divide in Taiwan even further and threaten domestic stability.

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Ultimately, then, much will depend on the question as well as the perception of U.S. commitment to Taiwan. How strong will the U.S. commitment be to maintain its support for the status quo under the Taiwan Relations Act? Will the U.S. continue to support Taiwan in the face of pressures from the mainland? Is the U.S. commitment today just as firm as that in 1996, when two U.S. carriers moved into the region in the middle of the missile barrage from the mainland? The military balance in the area has changed significantly, as has our overall relationship with the PRC in terms of expanded economic and political ties, and these changes are likely to accelerate in the years ahead. No matter what any U.S. administration says publicly or privately, it would be difficult for anyone to believe that these changes on the ground have not affected, or will not affect, the nature and extent of the U.S. commitment, especially if little or nothing is done to address the increasing military imbalance or to show continued U.S. commitment in other substantive ways. Beijing and Taiwan will both be watching closely for signs of whether the U.S. commitment has weakened or not. They will be looking at actions, not words.

*To send your comments on the feature essay, please email [FreemanChair@csis.org](mailto:FreemanChair@csis.org).*

## PUBLICATIONS

- “Is China Ready to Challenge the Dollar?” *PacNet Newsletter*, v. 72, Pacific Forum CSIS, November 5, 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. Although China is the largest holder of U.S. treasuries, it cannot yet “ditch the dollar” because of its vested interest in sustained trade relations with the United States. The authors argue that the *renminbi* is a ways off from being an established international reserve currency. Although in the short-to-medium term the economic impact on the U.S. dollar will remain limited, the geopolitical sands are undoubtedly shifting.

- “China’s 11th Ambassadorial Conference Signals Continuity and Change in Foreign Policy,” *China Brief*, vol. 9 no. 22, Jamestown Foundation, November 4, 2009

By **Bonnie Glaser**, Senior Fellow, and **Benjamin Dooley**, Research Intern, Freeman Chair in China Studies, CSIS

The authors assess the implications of statements made by President Hu Jintao at the 11th Ambassadorial Conference in July. President Hu’s emphasis on Chinese soft power in the form of involvement in multilateral institutions highlights both change and stasis in the Chinese foreign policy. China’s tradition of foreign policy involves behind-the-scenes work in order to allow for domestic development. A recent shift was indicated by President Hu’s call for increased involvement in multilateral institutions and an increased role in a new, “multi-polar” world. However, the authors see the shift as being mainly limited to Chinese “soft” power tools of economic competition, image, and morality, and are doubtful of a Chinese rise to world leadership in the near future.

## Publications from the Freeman Chair 2009\*

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

### November

• “Is China Ready to Challenge the Dollar?” PacNet Newsletter, v. 72, *Pacific Forum CSIS*, November 5, 2009. By **Melissa Murphy**, Senior Fellow, and **Wen Jin Yuan**, Research Intern, CSIS, Freeman Chair in China Studies

• “China’s 11th Ambassadorial Conference Signals Continuity and Change in Foreign Policy,” *China Brief*, v. 9 no. 22, *Jamestown Foundation*, November 4, 2009. By **Bonnie Glaser**, Senior Fellow, and **Benjamin Dooley**, Research Intern, CSIS, Freeman Chair in China Studies

### 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

## CONFERENCES AND EVENTS

### • November 10 “*Is China Ready to Challenge the Dollar?*”

**Melissa Murphy**, Fellow at the CSIS Freeman Chair in China Studies, introduced the new CSIS report “*Is China Ready to Challenge the Dollar?*”. **Pieter Bottelier**, Senior Adjunct Professor at SAIS, and **Tim Adams**, former Undersecretary of Treasury for International Affairs and current Managing Director of the Lindsey Group, discussed the report as well as the geostrategic and economic implications of China’s economic developments. **Charles W. Freeman III**, Chairholder of the CSIS Freeman Chair in China Studies, moderated the discussion.

### • 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.

## FREEMAN FACTS

### Communist Party of China (CPC)

1. Farmers and fishermen represent the largest occupational group in the CPC, making up over 30% of the Party membership. Students only make up just over 2% of the CPC membership.
2. Over 30% of CPC members have received college or higher education.
3. The CPC has over 74 million members, of which 20% are female.
4. Chinese citizens who are 18 years or older may apply for Party membership. Over 23% of CPC members are under 35 years old.

Source: Communist Party of China official website, China Today

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## FREEMAN CHAIR IN CHINA STUDIES

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**Francesca Baruffi, Benjamin Dooley, Lee-Ting Wong, and Wen Yuan**, Research Interns