

HIGHLIGHTS

From the 19th Annual Camden Conference, February 24–26, 2006

CHINA

ON THE WORLD STAGE

James R. Lilley

Michael Tsin

Philip H. Brown

John Pomfret

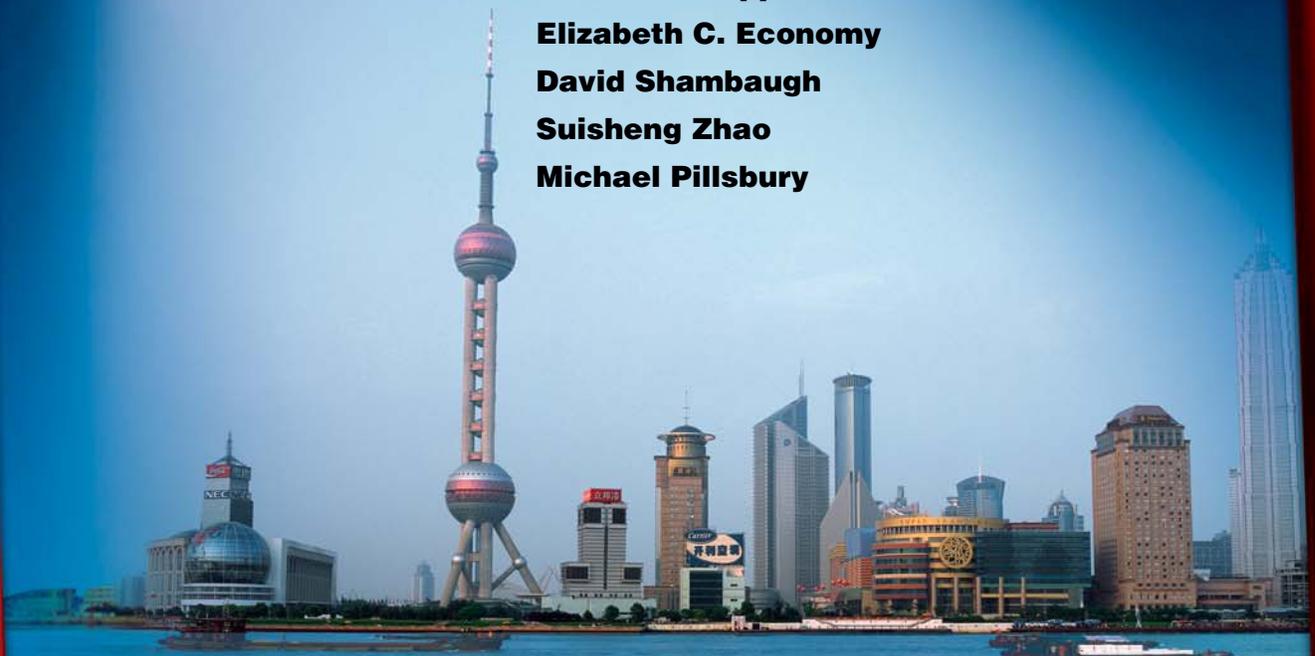
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2006
CAMDEN CONFERENCE

The 2006 Camden Conference HIGHLIGHTS

CHINA ON THE WORLD STAGE



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Zhao

Economy

Tsin

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That China is *the* topic is evident from the front page of every major newspaper and from radio and TV programming. The Camden Conference is pleased to have participated in this national deliberation through its sixty-five community events and three-day conference. The conference, which occurred February 24 through 26, 2006, presented nine speakers, each of whom addressed a topic important to all of us as we attempt to evaluate China's place in the world and U.S.–China relations. This issue of *Highlights* distills the messages of those speakers. It is not proceedings; the conference can be viewed in its entirety on the Camden Conference Website. We have tried, rather, to convey the sense of each speaker's presentation—wherever possible, in the speaker's own words—and to indicate areas of agreement and disagreement among the speakers. Every session, from Ambassador James Lilley's keynote address to the concluding panel discussion, is included here.

We hope *Highlights* adds to your understanding and provides you with a springboard for further discussion.



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China and the United States: Joined at the Hip

Keynote

James R. Lilley



Chinese society has become more transparent, but transparency only goes so far.

Keynote speaker Ambassador James R. Lilley spoke about China to the Camden Conference in 1995. In his opening address this year, he focused on the dramatic changes that have occurred in that country during the decade since then: its GDP has more than doubled—from \$700 billion to \$1.65 trillion—growing at the phenomenal annual rate of 9 percent a year. Indeed, it has become “the most important manufacturing base for the entire world.” The World Bank estimates that in the past two decades, up to 400 million Chinese—more than the entire population of the United States—were lifted out of poverty.

Since 1995, China’s foreign reserves have increased almost tenfold, from \$75 billion to more than \$600 billion. With such enormous savings, China has become the largest purchaser of U.S. treasuries—which, Lilley noted, “lowers our interest rates, helps cover our budget deficit, and contributes to our own economic growth.” In the same period, trade with Taiwan, “the designated flashpoint,” has increased even more dramatically—from a piddling \$3 billion then to just under \$60 billion now—an important trend, as it integrates the two economically.

On a more ominous note, however, Lilley pointed out that China’s military budget, by its own opaque statistics, has doubled in just the past five years—a fact that the Pentagon highlighted in its recent Quadrennial Defense Review. The QDR expressed concerns about China’s increased interest in projecting its power beyond its borders as well as in developing nonconventional military capabilities such as those related to electronic and cyberwarfare—which could, the report noted, “over time offset traditional U.S. military

advantages.” In addition, much of the increased spending, such as for advanced cruise missiles, is “targeted at us.” China has deployed more than 800 short-range missiles opposite Taiwan—a strong indication that Taiwanese independence is nonnegotiable. And, Lilley noted, when you consider that Taiwan’s military budget in the same five years has decreased from 6 percent of its GDP to 3.5 percent, the question that arises is, “Have we become the sole protector of Taiwan?”

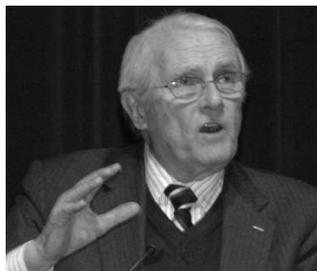
Expanding on the subject of the Chinese military buildup, Lilley singled out the three “troublesome confrontations” the United States has had with China over the last decade: in 1996, China conducted major live-fire exercises in the Taiwan Strait, which included firing short-range ballistic missiles (SRBMs) off the south and north coasts of Taiwan; in 1999, large-scale anti-American demonstrations followed our accidental bombing of the Chinese Embassy in Belgrade; and during the first months of George W. Bush’s presidency, twenty-four American airmen were captured after their reconnaissance plane collided with a Chinese fighter off China’s south coast. During this last episode, Chinese propaganda was replete with their traditional “anti-hegemonic outcries—code for U.S. unilateral action which is detrimental to China’s basic interests.” In the end, the Americans were released after being held for eleven days, and the plane was sent back in pieces—“an acceptable compromise,” Lilley felt.

■ **James R. Lilley**, Senior Fellow at the American Enterprise Institute, has served as Ambassador to China, Ambassador to the Republic of Korea, and Director of the American Institute in Taiwan. He has also been a Professor at Johns Hopkins School of Advanced International Studies, a Fellow at Harvard’s Institute of Politics, and Deputy Assistant Secretary of State for East Asian Affairs. His latest book—*China Hands: Nine Decades of Adventure, Espionage, and Diplomacy in Asia*—is an enlightening memoir covering an exceptional career.

On the economic front, Lilley saw “both progress and potential for confrontation.” In joining the WTO, he noted, China has become “a stake-holder in the new economic order.” China’s exports are now 40 percent of its GDP, and while it has become the third largest U.S. trading partner, the United States is now China’s second largest. But the growing trade surplus with the United States—more than \$200 billion and still mounting—has led to charges of currency manipulation, while the Chinese continue to turn a blind eye to “massive” intellectual property violations. And even though China’s increasing ownership of U.S. debt is problematic, it’s a two-way street. The bottom line is, “We’re joined at the hip”—they need the U.S. economy to remain strong so that we can continue to buy from them.

Despite China’s sustained and rapid growth—or, rather, because of it—the growing disparity of wealth between the coast and the hinterlands resulted in more than 80,000 violent demonstrations—by China’s own admission—last year. The rapid economic development has also been plagued by corruption and large-scale pollution. One-third of China’s water is so polluted it’s no longer suitable for agricultural purposes. And, as happened in Japan in earlier decades, “the construction industry went wild, paving over farmland and building huge factories with very limited control.” Meanwhile, bad loans to nonperforming industries, lack of due diligence, and an implicit green light for “crony capitalism” have weakened the banking system.

“While President Hu Jintao—like virtually all of the top Chinese leadership these



days—is a pragmatist, he is also a nationalist. At the top, there is no split between radicals and moderates—the focus is on what’s best for China.”

This rapid economic development has meant increased competition with the United States for energy resources. As China’s oil needs skyrocket, its leaders have made deals with Iran, Sudan, Venezuela, Nigeria, and Kazakhstan. “Darfur is not a political problem for them, nor are the mullahs in Iran. And Chavez and Castro are heroes—for standing up to the United States.”

Balancing this negative side of the ledger, Lilley said, is the emergence of a “younger, better educated, and more economically flexible leadership.” But while President Hu Jintao—like

virtually all of the top Chinese leadership these days—is a pragmatist, he is also a nationalist. At the top, there is no split between radicals and moderates—the focus is on what’s best for China. The leadership’s formula of economic growth supported by a strong central government is working—indeed, 70 percent of the people support government policies in this regard, which leaves democracy “without any real constituency.”

For the foreseeable future, Lilley believes, democratic reforms will go no higher than the village level, where the government now permits local elections, which serve “to cleanse the system and get rid of the rotten eggs.” But despite holding firm against significant democratization, China has become a more transparent society, willing to acknowledge and face openly such public health problems as SARS and HIV/AIDS. Transparency only goes so far, however, and the Internet—as recent congressional hearings have underscored—remains tightly censored, with no sign of any real “democratizing effect.” Not surprisingly, with its incredible growth record, advanced education is thriving: in recent years, more than twenty MBA programs have been established in Shanghai alone—most connected with Western institutions. The educational establishment is now filled with Chinese returning from abroad.

As it continues to do with Taiwan, Beijing takes an equally hard line on Tibet and the Uighur Muslims in Xinjiang in China’s far west. “Tibet has become a casualty of history,” Lilley noted. The Chinese are basically waiting for the Dalai Lama to die, at which point they believe the Tibetans, like the Uighurs, will be leaderless, and thus pose less of an internal threat.

Viewed from a U.S. perspective, China is a land of contradictions, said Lilley. He illustrated this point vividly by quoting a senior State Department official who had stayed recently at the Chinese VIP guest compound in Beijing: “In the first villa, Robert Zoellick, the U.S. Deputy Secretary of State, was negotiating with his Chinese counterpart on international economic issues. The Chinese were tough, sophisticated, and very well informed on market access, currency manipulation, and intellectual property. In the second villa, the six-party talks on North Korea were taking place. The Chinese chaired the session, developed compromises, and drafted a joint agreement. Again they were sophisticated, well informed, and very conscious of China’s national interests. In the third villa was Robert Mugabe of Zimbabwe—the brutal tyrant of a failed African state—being honored by the Chinese with an official visit. And not long before Mugabe’s visit, the Chinese had pinned a medal on President Islam Karimov of Uzbekistan, who had just gunned down as many as a thousand of his own people in order to stay in power.”

Noting that the United States still has “dangerous misconceptions” about the People’s Republic, Ambassador Lilley concluded, “If you can’t deal with contradictions, stay out of China.”

■ *Reported by Thomas MacAdams Deford*



China Transformed

China has altered its management strategy from empire-building to nation-building.

Michael Tsin

China's remarkable transformation since 1979 (and even more recently) can best be explained, historian Michael Tsin believes, by viewing China as a centuries-old empire that has adopted new management strategies. Tsin offered his explanation of China's rising power and increasingly important role on the world stage by disputing what he believes is a commonly held misconception: that China was historically isolationist and only recently has come out of hiding.

"Despite the efforts of a generation of scholars to show otherwise," said Tsin, "I still occasionally hear claims that the recent opening of China marks the very first time that the Chinese really opened up to the world." He attributed this attitude to two different mindsets: "On the one hand, many in the West, consciously or subconsciously, like to claim the credit for dragging China—kicking and screaming, as it were—into the modern world. On the other hand, the Chinese themselves—or at least segments of the Chinese intelligentsia or the Chinese government—also tend to reinforce this view, as they like to trace many of the problems of contemporary China back to the imperialism of the Europeans, Americans, and Japanese."

China's contemporary problems, Tsin feels, are instead linked to their struggle to make the transition from a far-flung, multiethnic empire to a nation within a new global system—while concurrently engaging with the world. "To be a nation takes time; it is a historical process."

In the past, he said, China's leaders had to provide fairly basic needs: maintenance of "a modicum of order and stability"; access to food and clothing for most of its people; famine and flood aid; and assurance of "regular trade, both internal and external." But now, "the management of [the nation] demands much more, including the centralization and mobilization of both human and material resources, to a degree unparalleled in earlier Chinese history, in order to generate still more resources."

China's new role in the world began to emerge, said Tsin, when two different types of empire collided. The first type—represented by Europe, America, and Japan—was driven by a "growing industrial technology and military might and fueled by an insatiable need for resources, raw materials, markets, and consumers to keep their economic engine churning."

The second type of empire—China—"with 500 million then and 1.3 billion people now, was a tempting target of this economic juggernaut."

Reinforcing his conviction that China could not have been dragged out of isolation in the nineteenth century because it was never really isolated, Tsin discussed the few periods when China withdrew from the outside world. These instances—including early decades (1960s and 1970s) of the People's Republic—were more the exception than the rule. "Much has often been said about how the Chinese historically thought of themselves as the 'Middle Kingdom,' and how they were uninterested in other places. Even a cursory look at the cartography of different countries and civilizations—Islamic, European, etc.—several centuries ago confirms the fact that all civilizations and polities tended to put themselves right at the center. Placing oneself at the center, of course, doesn't necessarily mean isolation from the rest of the world. The same goes for China."

Tsin suggested that it helps to see China's history as driven by the expansion logic that is characteristic of empire-building. "What I mean is that the historical trajectory and behavioral patterns of China were in many ways no better, no worse than, and no different from those of many other countries." China as we know it today, he added, "was built through a history of ... expansion."

Unlike European empires based on seafaring power and distant colonies, China's was a continental empire more concerned with territorial expansion and security than acquiring remote colonies. Starting more than 2,000 years ago, from what is now northern China, China over time defeated its competitors in the region and absorbed most of the indigenous populations.

■ **Michael Tsin**, Associate Professor of History at the University of North Carolina, Chapel Hill, specializes in nineteenth- and twentieth-century China. He has taught at Columbia and Princeton and is the author of *Nation, Governance, and Modernity in China* (2002) and a coauthor of *Worlds Together, Worlds Apart: A History of the Modern World from the Mongol Empire to the Present* (also 2002).

“The historical trajectory and behavioral patterns of China were in many ways no better, no worse than, and no different from those of many other countries.”

While China historically was never a maritime *empire*, it was, nonetheless, an active participant in maritime trade and exploration. The most striking illustration of this, Tsin recounted, was a famous armada assembled by the Ming Empire in the early fifteenth century. Led by a Muslim eunuch named Zheng He, the armada launched seven expeditions during nearly three decades. There are all kinds of stories about the motives behind these expeditions—whether they were searching for a deposed emperor or whether they wanted to show off the Ming might and glory. Nonetheless, it was the world’s greatest armada at the time. The first expedition consisted of more than 200 small ships and 62 large ships—the largest were 400 feet long (Columbus’s *Santa Maria* was 85 feet)—with a total of 28,000 mariners. Some of the expeditions went as far as East Africa, and there is even speculation today about whether Zheng’s armada might have “discovered” America. But the armada came and went, without establishing permanent colonies, and China continued its overland expansion.

Toward the end of his speech, Tsin shared an anecdote about visiting China with his father: “My father, who has always considered himself a good Chinese patriot, went with me during one of my regular trips to China about ten years ago. It was his first time back to the mainland after leaving in the 1940s. We met some old family members, friends—some in government and some in business. We talked about life in China today. Afterward, my father asked me quite matter-of-factly: ‘Did the Communists change anything?’

“I was not sure how to answer him then, and I am not sure entirely how to answer that question now. To my dad, the problems, the trials and tribulations, the everyday life of our family and friends all sounded very familiar. In some ways, of course, one could certainly argue that the Communist government did change many things since 1949 when it took power—some for the better (health care and literacy campaigns in the 1950s, for example), some perhaps not so much. They tried, some might say ruthlessly, to forge China from an empire to a nation. They tried different models and methods that will forever leave their mark in Chinese history—the Great Leap Forward in the late 1950s that cost an estimated 20 million lives, the Cultural Revolution of the 1960s with its brutality that tore the social fabric asunder. But those episodes almost seem like distant history now.

“The late Chairman Mao once said during the Great Leap Forward that China would overtake Britain in fifteen years. Well, depending on which statistics one examines, China

either already has a larger economy than Britain or is poised to take over Britain some time this year. So that is, I guess, progress of a sort. And the world is also a very different place now; the Chinese central government, weakening as it might be, still has at its command more resources than either the late Qing dynasty or the republican government. There is no immediate threat of external war—or, for that matter, a viable internal alternative for government. But still, for someone like my dad, who was kind of transported in time from the 1940s to the 1990s, things do look eerily familiar.”

Concluding, Tsin said, “The overall question of how to transform a far-flung multiethnic empire into a governable nation-state and develop it quickly when the entire polity was always held together somewhat precariously at the best of times continues to be something of a challenge for China, to put it mildly. Whether China can survive the inevitable jolts and convulsions of this process, or whether the world can survive it, I’ll leave those questions to those wiser and more knowledgeable than I am to answer.”

■ Reported by *Elizabeth Banwell*

Economic Growing Pains

China has become second only to the United States as a destination for Foreign Direct Investment.

Philip H. Brown

Beginning his presentation with a brief history of economic reforms in China, Colby College Professor Philip Brown quantified China’s recent economic growth experiences. He summarized policies that contributed to that growth and described the challenges for future growth.

Between the 1949 founding of the People’s Republic and 2002, China had three primary leaders, and, according to Brown, the tenure of each was characterized by a definitive economic policy. Mao Zedong attempted self-sufficiency through industrial and agricultural communes—with catastrophic results.

Brown summarized economic policy under Deng Xiaoping as focused on the “four modernizations”—agriculture, industry, science, and defense—all aimed at reversing Mao’s disastrous policies. By participating in foreign mar-

kets, China earned hard currency for investment, acquired advanced technologies, gained management skills, and accelerated its economic development. During this time, the structure of industry underwent a profound transformation. Whereas output previously had been centralized under a monolithic state machine, reforms enabled enterprises established by local governments to begin to chip away at the state's dominance. Joint ventures between domestic interests and foreign firms began to erode it further.

At the same time, the profile of industrial output changed, shifting the emphasis from heavy industry to light manufacturing. Rudimentary commercial banking was established. In 1978, the Central Bank officially split off from the Ministry of Finance—nominally, at least, separating fiscal and monetary policy.

Brown explained that special economic zones were established along China's eastern seaboard to facilitate China's integration into global trade, with incentives to funnel Foreign Direct Investment (FDI) into manufacturing for export. Foreign firms responded quickly, seeking to exploit China's huge, relatively skilled labor pool as well as the favorable exchange



“Fallout from the one-child policy will soon begin to affect China’s workforce, with a decline expected to start in 2012.”

rate. China's huge domestic market was the ultimate prize.

Under Jiang Zemin, the export model was set. The manufacturing sector, spurred by external demand, would dominate growth. China's accession to the World Trade Organization (WTO) in 2001 gave preferential trading terms to China and accelerated the pace of reforms as more of China's sectors were opened to foreign competition.

Brown stated that China's overall share in international

trade increased from less than 1 percent in 1979 to around 6 percent in 2003. Imports and exports have grown at an average rate of 15 percent per year—more than double the rate of the annual expansion of global trade. Indeed, by 2003, China accounted for 24 percent of global growth. Between 1979 and 2003, GDP in nominal terms rose from \$260 billion to \$1.4 trillion, while per capita incomes rose from \$266 to break the thousand-dollar mark.

In Brown's view, President Hu Jintao and Premier Wen Jiabao will not veer from the principles established by Jiang. They will continue to pursue core macroeconomic policy to emphasize structural reforms and thus ensure sustained growth.

Using GDP as a metric to describe China's growth, Brown showed that at \$2.3 trillion, China's GDP in 2005 was the sixth largest economy in the world. He said that it is on track to overtake France and possibly the United Kingdom, to become the fourth largest. Between 1978 and 2005, China's average GDP growth was 9.4 percent a year. GDP per capita in 2005 was \$1,700. This puts China squarely in the lower-to-middle income range. But in terms of “purchasing power parity” (PPP)—a reflection of buying power—GDP per capita rises to \$7,500. Indeed, in PPP terms, China's economy is the second largest in the world, Brown stated.

Brown described inconsistencies in Chinese economic reporting that reflect a mixture of estimates both lower and higher than what were probably the true estimates. Based on a detailed WTO-mandated economic census, he reported that China revised its growth statistics upward for eleven of the past twelve years. His interpretation is that China joined the WTO under “poor country” designation, which entitled it to certain preferential treatment. Under the revised statistics, China would not have qualified as a poor country—a distinction obviously not lost on Beijing.

Brown's bottom line on this? Whatever the actual numbers, China is undeniably one of the fastest-growing economies in the world, and it has been so for decades.

Next, Brown identified some of the main policies that China has used to facilitate economic growth.

- Market-oriented reforms. Since 1978, price controls have been gradually dismantled, private enterprises were allowed to emerge, and state-owned enterprises were forced to compete.
- China has been able to avoid some fatal flaws and some common policy mistakes frequently seen in emerging economies—such as monetarizing budget deficits or maintaining an overvalued exchange rate.

■ **Philip H. Brown**, Assistant Professor of Economics at Colby College and Research Fellow at the University of Michigan's William Davidson Institute, divides his time between Maine and China. His research and field surveys in China focus on education, health, inequality, and economic development—with particular emphasis on the modern Chinese economy's impact on the rural poor.

■ In the fifteen years prior to China's accession to the WTO, the progressive reduction in tariffs and non-trade barriers was pivotal in driving China's investment and trade growth. Indeed, said Brown, China is one of the most open economies in the world.

China has become second only to the United States as a destination for Foreign Direct Investment (FDI), with 44,000 foreign enterprises approved for operation in 2005, reflecting \$60 billion in FDI.

Despite all the positive measures, strengthening farmers' land rights and advancing privatization in the core industries remain two important unfinished areas of business that China must address.

Brown outlined a number of impediments to China's continued rapid growth as a world economic power.

For a start, the banking system was profoundly compromised in the 1980s and 1990s by the use of banks as instruments of state fiscal policy. Hugely unprofitable state-owned enterprises were kept alive by credit lines, creating huge stocks of nonperforming loans totaling at least \$500 billion. The dysfunctional banking system has stunted the development of a real credit culture.

Sluggish demand is another problem. Brown cited a number of factors showing that the Chinese have been slow to adopt the consumer-oriented behavior of Westerners, and they still save much more than they consume. This can be attributed largely to concerns about unemployment, hefty school fees, high health costs, and the lack of pensions. Moreover, the one-child policy has made it harder for people to rely on their children as a source of support in their old age, and this further contributes to thrift.

Brown believes that because China's businesses are at the mercy of political favor, and because private entrepreneurs are starved of capital, long-term research and development has been discouraged in China. Instead, unsustainable price wars have been used to grab market share. Nor has China really benefited as much as it might have from technology transfer or spillovers, despite the scant legal protections offered to intellectual property.

And then there are the demographic challenges. Fallout from the one-child policy will soon begin to affect China's workforce, with a decline expected to start in 2012. As a result, China will become one of the most rapidly aging countries in the world. Not enough children are being born to support retirees; by 2050, there will be an equal number of retirees and workers.

Huge welfare commitments will exert a large strain on national finances, Brown noted. The pension system is currently a pay-as-you-go process—insofar as it exists at all—with current contributions financing current payouts. Transition to a fully financed individual accounts system could absorb more than 70 percent of GDP over the next seventy-five years.

Brown then addressed some of China's social challenges.

Between 1995 and 2002, employment at state-owned enterprises was cut by 48 percent, putting about 36 million people out of work. The prospects for additional layoffs persist. In addition, there are about 100 million surplus workers from rural areas who are adrift between villages and cities, desperately looking for work.

One hundred fifty million Chinese fall below international poverty standards; 106 million of them, according to World Bank estimates, earn less than one dollar per day.

Another social challenge is inequality, said Brown. Thus far, growth has been confined largely to the coastal areas. Private estimates posit that 345 million people are likely to migrate from rural areas to the coast over the next twenty-five years. The government needs the export sector to continue booming to absorb surplus labor, but Brown cautions that every time you see a new highway, a new factory, or a new dam, it means someone was displaced—often with little or no compensation. In addition, he argues, private firms tend to have very close ties to government officials. And cultivating favors from the government offers tempting routes to making easy profits.

Rural health care was disbanded in 1978, along with the communes. Today, the health-care system is a leading cause of poverty. Ninety-six percent of rural households have no medical insurance, and 38 percent of rural households cannot afford to see a doctor when they fall ill. If a peasant becomes seriously ill and doesn't seek care, the family loses his productivity and income. If he receives treatment, his family might have to sell off the farm assets to pay for care, becoming poor in the bargain. Three-quarters of hospitalized peasants leave early because they can't afford to stay.

The government, Brown said, acknowledged the problem in 2002 and announced a new program of rural insurance to be funded jointly by the national and local governments and the individual. There have been problems, however, with its introduction. The law stipulated that the individual contribution was to be about \$1.25 per year; the governments interpreted that amount to be their shares, too. "Health care in China is cheap, but it is not that cheap," he said. So the program is simply going to be underfunded, and it's going to run out of money sooner rather than later. This issue is yet another drag on China's future growth.

The Chinese peasantry has grown frustrated with the lopsided development and corruption. Indeed, in 1995, there were 10,000 local protests in China; in 2005, that figure had risen to 87,000. That's almost 250 per day, involving more than three million people.

In conclusion, Brown characterized China's economic progress as miraculous, being both rapid and sustained but also uneven and unequal. He believes that while China will continue significant sustained economic growth, no one can authoritatively predict the rate because of inherent political and demographic factors.

■ *Reported by Lucia Hatch*

Faustian Bargains

A journalist sees a generation of Chinese choosing to live well in a system they despise but know they cannot live without.

John Pomfret



“It’s Not That I Don’t Get It. It’s Just That the World Is Changing Too Fast.” These lyrics to a Chinese rock ’n’ roll song served as John Pomfret’s working title and leitmotif for his talk to The Camden Conference. An award-winning *Washington Post* journalist, Pomfret introduced his observations on the political and social changes in China by telling the story of his encounter with a member of the People’s Liberation Army (PLA), a man he called Officer Liu. Pomfret had arrived in China in 1988 as a reporter with the Associated Press, his first foreign posting. In May 1989—when a million people daily were demonstrating on the streets of Beijing against the system under which they were living—he was introduced to Officer Liu.

Liu was a cultural officer, a composer of classical music and jazz. The PLA had a vast array of enterprises, including films and classical music. Because of his status and rank, he had access to information useful to reporters, and he and Pomfret became close friends.

One night in late May, Liu called Pomfret and asked him to come to his area—he had something to tell him. When Pomfret arrived, accompanied by another AP reporter, Liu got into the car and began to read them a speech presaging the declaration of martial law. Both Pomfret and the other reporter—exhausted from twenty-hour days on the streets tracking what they thought was a revolution against the Chinese Communist Party—dozed off without listening fully to what was at that time the greatest scoop of their careers.

By June 4, the government had cracked down on the demonstrators in Tiananmen Square, killing an untold number. A couple of weeks after the crackdown, the day the U. S. Embassy reopened, Pomfret was summoned by the local precinct that deals with foreigners in China. For six hours, he was interrogated about his relationship with Liu. They had been followed and photographed, and the conversation in the car had been recorded. While denying everything,

Pomfret was given three days to leave the country.

Liu, who was being held, was taken to a television to watch Pomfret and a correspondent for Voice of America being expelled. He was told that Pomfret had revealed everything. Pomfret left China, feeling responsible for Liu’s incarceration and recognizing how blithe, naïve, and very careless he had been in his dealings with the Chinese, particularly people close to him.

A decade later, when Pomfret returned to China as Beijing bureau chief for the *Washington Post*, he reconnected with his old friend. Liu had spent two and a half years in jail but had been allowed to keep his army position, his apartment, and his salary, even though he had no job. Wanting to write music, he left Beijing for Shenzhen, where the embers of social and economic reform were burning and where many Tiananmen Square participants went to re-create their lives. He worked in construction and eventually was moved to a desk job. And he began to receive commissions for songs. By the mid-1990s, he was effectively a composer again; and by the late 1990s, riding the Chinese wave of nostalgia for the Cultural Revolution and 1950s songs, he left the army to become a full-time composer, writing film scores and operas—including the score for the film of the 110th anniversary of the birth of Mao and the “glorious victory” over SARS. He also composed the score and wrote the lyrics for an opera where he repeated fifteen times a refrain about the high tide of revolution, each tide higher

■ **John Pomfret**, currently based in California for *The Washington Post*, served as the *Post*’s Beijing bureau chief from 1998 through 2003. As a longtime foreign correspondent, he has also covered conflicts in Sri Lanka, Iraq, Congo, Afghanistan, the Balkans, and Turkey. In 2003, the Asia Society awarded Pomfret—who is fluent in Mandarin—the Osborn Elliott Prize for Excellence in Asian Journalism.

than the last. In Chinese, the word for “high tide” can also mean “orgasm”—Liu’s way of jabbing at his audience.

Like many others of his generation, Liu made a Faustian bargain. He lived very well in a system he despised but knew he could not live without. Liu wrote a letter to Pomfret stating that before his incarceration he had been pure-hearted; that he had learned during his incarceration to be tactful, slick, and diplomatic; and that he had learned from the political commissars to lie and be insincere. He reported that he had learned his lessons well, and that is how he was playing it now. Pomfret believes Liu spoke for his generation.

After recounting this pointed anecdote, the journalist, accustomed to asking the questions, submitted himself to extensive questioning from the audience, who eagerly responded to the opportunity.

Q: What is it like being a foreign journalist in China? Are the Chinese people open?

A: “The Chinese, particularly the downtrodden, look to the external press as the only way to get their message into the public sphere because the state-run press won’t touch their stories. About the best they can expect is an internal essay. If it’s a really serious issue, like losing land, the peasants in particular are very happy to talk to the press.”

Q: How about some comments on Google and the issue of censorship?

A: “This is another Faustian bargain. It is an interesting dilemma for foreign media companies as they engage with China. Some cooperate so fully that they hand over e-mails. Google states on its Chinese Website that it is following Chinese law; this is a subtle reminder that there is another Google with freer information. Google’s motto is ‘Don’t be evil,’ but the company is faced with a conundrum as it looks at what is still an untapped market and works to dominate that market.”

Q: Would you comment on individualism vs. collectivism?

A: “The Chinese government likes to tell the West that China is a collective society, with Chinese values, but the Chinese as a people are much more individualistic and hard to herd. They are weak at teamwork, avoid paying taxes, and have no concept of traffic rules. The Chinese have an expression that one Chinese is a dragon and three are an insect—constant backbiting. Their internal politics are famous. They are 1.2 billion highly developed individuals.”

Q: In terms of the Faustian bargain, are there signs that China is unraveling?

A: “Among the middle class, I’d say no. Among a certain level of the media elite, there is increasing irritation with the intense repression of the press and media, which has a lot to do with China’s preparations for the 2008 Summer Olympics and the rise of Hu Jintao, something that was less of an issue with Jiang Zemin. Among the non-media elite, the bargain is very strong, since they have been bought off with the good life. Among the peasantry and the unemployed urban poor, there is no such bargain.”

Q: What is the status of religion in China in the face of cynicism?

A: “In the 1980s, the fundamental belief was in oneself. Now it is in nothing. This vacuum of belief has prompted people to look for things in which to believe. The Falun Gong [a traditional Chinese spiritual discipline] is a reaction to this trend. It is a stepchild of Chinese Communism, which published its materials and had the neighborhood committees arrange for space in the parks; in fact, the party hierarchy was filled with believers. Evangelical Protestantism is probably growing even faster in China than Falun Gong; it now has some 60 million practitioners. The social trend that is most powerful now is nihilism.”

Q: What is the state of marriage and family life in China?

A: “The divorce rate is booming, supported by an increase in rental housing that makes it easier to split families. The tweaking of the marriage law has allowed people to get divorced without the permission of their work union. The explosion of a consumer society and re-commodification of women—prostitution—has created temptations for middle-class people as never before. The change from a society that was highly repressed sexually to one undergoing a sexual revolution is having a profound impact on the future of the Chinese family. Children are often raised by grandparents, attenuating the relationship with parents, particularly fathers. This relates to what Michael Tsing said about cynicism and a moral collapse. Things that happened to the soul of China during the Cultural Revolution are still working themselves out, and the marital-situation issue is just another manifestation of this.”

Q: How is the one-child policy working?

A: “In urban areas, the one-child policy is predominant; in the countryside, it is more a two-child policy, particularly if the first child is a daughter. About one child in five is an ‘only child’; most Chinese children have siblings. The urban elite abide by the one-child policy, but the result is a shrinking population.”

Q: What are you seeing in relation to the run-up to the Olympics, particularly regarding pollution?

A: “The great thing about China is that the government can instantly shut down the Beijing iron and steel works, close a chemical plant, and ban all cars. Beijing’s air will be pristine in 2008. I think that 2007 will be an interesting year. The government is so obsessed with the Olympics—with beating the United States and showing off the New China—that it might push the lower classes beyond their tolerance.”

Q: How does writing for us now in the United States affect your analyses?

A: “When the Abu Ghraib prison scandal happened, I noticed myself looking differently at human rights issues—not wanting to cut the Chinese a break but trying to be a little more understanding. It had a tendency to make me less vigilant about China and to hold them to not as high a standard. I think it influenced other commentators, also.”

Q: Does the foreign press influence policies in China?

A: “The Chinese definitely read the foreign press. My first and only meeting with Jiang Zemin was in 2000. At the end, in the ‘free talk’ time, he asked, ‘Is the one who wrote about the Falun Gong here?’ and when I identified myself, he commented, ‘That was a good story.’ I had written about how the Chinese government was beating the protesters, but the Falun Gong

leader in the United States was sending his people out to protest—knowing that they would be beaten. It was about this bizarre dance. It was read by every member of the Politburo. We are read and they care. How it affects them is not clear. Sometimes the stories that affect them are not important to us. It is like Washington, but even more opaque.”

■ *Reported by Jo Anne Bander*



Enthusiasm vs. Realism

**America’s businesses
are trying hard to
get it right in China.**

Robert A. Kapp

For some 300 years, Western entrepreneurs dreamt of China in starkly simple terms: “four hundred million customers,” “two billion armpits,” “sheer numbers.” A hugely populous nation, they hoped, would need and be able to afford everything the West could supply. After 1980, even that rosy image improved. China, it seemed, could offer not just millions of new customers, but tens of millions of low-cost workers newly arrived from rural poverty and eager to join the workforce of China’s burgeoning coastal export economy.

More recently, the entrepreneur’s dream has been tempered by a different reality. While the dominant theme in the Chinese business environment continues to be convergence with global commercial practices, doing business in China still means doing business according to Chinese rules—some clear, some not so clear, some completely opaque, and subject to change as the government feels its way from Maoism to a distinctly Chinese combination of market- and state-dominated economics. As they develop their business in the Chinese market, moreover, U.S. firms are encountering tough domestic competition: Chinese enterprises are turning out to be fierce competitors in the huge home market, and they are beginning to make their way into global competition for markets and resources around the world.

Robert Kapp addressed these issues and many more. With a Ph.D. in modern Chinese history from Yale University,

Kapp is a long-time consultant to companies interested in working in China and a recognized leader in the effort to sustain strong, mutually respectful relations between China and the United States.

“Cautious optimism always tempered by sober realism” might best describe his attitude toward doing business with China. The optimism stems in part from China’s exceptional track record of economic achievement since Beijing turned toward “Reform and Opening” at the end of the 1970s, leaving behind much of its rigid ideological orthodoxy. But China’s spectacular economic numbers need analysis, too. When Americans think of our enormous merchandise trade deficit with China, Kapp asked, do they realize that China’s vaunted manufacturing sector is still heavily devoted to final assembly work, and that 65 percent of the value of exports to the United States is accounted for by parts imported *into* China—often from other Pacific Rim countries, including the United States?

■ **Robert A. Kapp**, President of Robert A. Kapp & Associates, is a consultant for companies doing business with China. From 1994 to 2004, he was President of the U.S.–China Business Council, with offices in Washington, Shanghai, and Beijing. He has taught at Rice University and the University of Washington and is the author of several books on modern Chinese history.

While China remains a lively topic in American politics, both in terms of its economic behavior and its strategic development, Kapp noted, U.S. business is generally quiet in the sometimes heated political dialogue on China. “In Congress there is no organized body in support of a strong U.S.–China relationship, while there are lots of forces on the other side.” Some of the unending political controversy over business with China, Kapp observed, stems from America’s historical “moral investment” in nineteenth- and twentieth-century China and the longstanding American belief that economic and moral concerns cannot be fully separated.

“Chinese enterprises are turning out to be fierce competitors in the huge home market, and they are beginning to make their way into global competition.”

According to Kapp, the realism that foreign businesses must keep in mind when dealing with China covers several areas. First, until twenty-five years ago, China was, for most Americans, “a country to take care of, not to contend with,” its populace needing to be “uplifted with equal doses of capitalism and Christianity.” Belief in these enduring myths has outwardly diminished, but old notions die hard.

The overenthusiasm of American and other Western businesspeople meant that many companies have failed to find profit and growth in China. Only in the last twenty years, and especially in the past decade, have foreign companies begun to find their way commercially in a globalizing Chinese business environment.

A second reason for caution is that the Chinese government is intent on combining market capitalism with one-party, highly centralized government, brooking no opposition from those on the inside or outside, including the United States, which assumes that capitalism and democracy inevitably go hand in hand.

While Kapp describes Japan as “like a perfect New England village tableau, covered in a coating of hardened caramel,” China is the opposite—fluid, changing, and often difficult to navigate. Pressed by the world and the World Trade Organization to become a nation of laws with “stability and predictability,” China in recent years has produced a huge volume of law and regulation, leaving companies struggling to keep up with the complexities of multiple bureaucracies and sometimes-conflicting official rules.

China retains a unitary, top-down government structure, while local officials interpret changing, often contradictory regulations at their own discretion. “The mountains are high and the Emperor is far away”—an ancient Chinese proverb—remains relevant today. Corruption at the local levels is widespread, with kinship ties and other forms of special personal connections sometimes trumping merit and formal

legality. Every company working in China must spend considerable time on developing and maintaining its effective relationships with relevant officials at all levels of government.

Now China is finally among the great players on the world economic stage. Kapp compared China to a compact car stuck in traffic behind a gas-guzzling SUV: China, he asserted, “does not envision itself as destined forever to inhale anybody else’s CO₂.” Why would they? “They now have a track record, and their citizens as well as the world can see that, for the most part, they’re ‘getting it right,’” Kapp said. Twenty-five years of exposure to world practices and global technology are helping China converge with other economies. For one thing, domestic demand is rising fast inside China. “For foreign companies that get it right—like UPS and FedEx—the large, growing internal market for goods and services is finally very, very real.” Wall Street and the venture-capital sector are more than taking notice, too, with major American investments in China’s banking sector just coming into effect and entrepreneurial investors increasingly attentive to opportunities.

Should businesses be willing to bet everything on China? Kapp sees several possible trouble spots:

- China’s gigantic state-owned banks still lag behind international banking standards and suffer from a huge legacy of bad loans; reforming the banking sector is underway, but it has a long path ahead of it.
- It is unrealistic to assume that the high growth rates of the past two decades will simply go on forever in a linear fashion.
- While the economy has rapidly expanded and popular living standards, especially in urban China, have risen, the political system still embodies many of the elements of a more traditional Communist Party state. The long-term effects of continuing suppression of political dissent are uncertain, as are the implications of endemic corruption and official abuse of power.
- At the local level, administration and criminal elements increasingly commingle. The government faces urgent problems of spreading social unrest, particularly in response to the expropriation of peasant lands for industrial or real estate development by privileged, corrupt members of local society.
- The massive investment China is now making in preparation for the 2008 Summer Olympics in Beijing places a heavy premium on the maintenance of social peace and quiet, but urgent social problems in rural China may not evolve in accordance with China’s Olympics timetable.
- The American and Chinese economies are intertwined, but a downturn in our economy may lead some politicians to play the China card—blaming China, fairly or not, for our own domestic problems.

In the end, concluded Kapp, doing business in China is “no sure thing”; it remains “a work in process.”

■ *Reported by Jan Rosenbaum*



Testing a Charm Offensive

China is pursuing diplomatic, economic, and cultural initiatives on a global scale.

Elizabeth C. Economy

Elizabeth C. Economy began her remarks at The Camden Conference by wondering whether the rise of China might be as disruptive to the twenty-first century as the rise of Nazi Germany had been to the twentieth, or whether it might break apart as the USSR had done, or whether it might just end up as a “middling power,” or whether it would come to dominate, or whether—and this is China’s own view—it would rise peacefully to take its place as leader of the Asian Century. “The truth,” she said, “is that we really don’t know . . . We don’t know what the country is going to look like five years from now, much less twenty years from now.” And so she set out to call attention to some of the “pieces of the jigsaw puzzle” that would somehow need to be assembled over the next few decades.

What does the phrase *rise of China* really mean? The most evident meaning today is the impact that China’s burgeoning economy is having/will have on the global economy, including resource extraction, low-cost manufacturing, and the arrival on the scene of a major new market for the world’s goods and services. There is also the emergence of China as a major political player with geopolitical reach and, finally, the first tentative moves of China, the new military presence. Together these three aspects represent a major transformation of China and its position on the world stage over the past five to ten years.

This transformation has entailed an economic growth of 7 to 12 percent annually over the past few decades, and a planned urbanization of some 300 million people by 2020,

■ **Elizabeth C. Economy**, a specialist on China–U.S. relations and Chinese domestic and foreign policy, with a particular focus on the environment, is the C. V. Starr Senior Fellow and Director of Asia Studies at the Council on Foreign Relations. She is the author of *The River Runs Black: The Environmental Challenge to China’s Future*, published in 2004.

necessitating broad new infrastructure projects and a huge need for raw materials. Fifty percent of China’s overseas expenditures are presently in extractive industries, thus making the country a major factor in such nations as Brazil, Zambia, Chile, Indonesia, and Sudan—“serving as an engine of growth for many of these economies.”

Chinese Trade by Region

Region	2002 Trade	2004 Trade
Southeast Asia	\$54 billion	\$120 billion
Africa	\$17 billion	\$24 billion
Latin America	\$3 billion	\$27 billion

What’s most important here is the rate of increase rather than the absolute numbers, said Economy. China’s approach to its less-developed partners has been quite different from that of the United States: it claims it doesn’t mix business with politics (Darfur is no problem for the Chinese), and it espouses a rigorous win-win philosophy. China provides serious assistance to its partner countries: low-interest loans for railroads and ports in Argentina; investment in Cambodia and Laos; forgiveness of \$1 to \$2 billion in loans to Africa; a ten-year grace period for Cuban loans; assurances that it will help Brazil gain a seat on the U.N. Security Council; efforts to work with Mexico to protect its domestic industries from Chinese competition.

Part of China’s charm offensive has been diplomatic—for instance, last year alone, China sent some 300 senior-level delegations to Singapore. “You see this all over the map,” Economy pointed out. “The Chinese officials are constantly on the road.” And then there is the cultural angle: China has established 100 Confucius Institutes around the world to teach Mandarin. (There’s even one in New York.) In some places (Indonesia, for example), these Chinese cultural centers have been set up

“China’s approach to its less-developed partners has been different from that of the United States: it claims it doesn’t mix business with politics (Darfur is no problem for the Chinese), and it espouses a rigorous win-win philosophy.”

right next to U.S. cultural centers, and there has been an obvious effort to make them bigger and more appealing.

“The Chinese have been most tentative on the security side,” Economy said. They are conscious of the fear, particularly in Asia, that a rising China may become a rising military player and thus a threat to the neighbors. They are now beginning to reach out with very low levels of military assistance for (and joint exercises with) Asian neighbors, such as Myanmar and the Philippines. They are also making modest overtures to trade partners in the rest of the world.

Economy cited several challenges to China’s continued rise:

- Despite its stated goal not to replicate the worst practices of the United States and Europe in the undeveloped world, it probably will. Its own environmental and labor and safety practices are not the best, and “my sense is that it supports the very worst practices in other areas,” including exploitation of labor in Peru, massive deforestation in Brazil, and so on.
- “Corruption is endemic in the Chinese system.” China’s partners are justly worried about the way deals are struck with their governments.
- Competition with local companies is bound to occur, to the long-term detriment of China’s foreign partners. Further, the Chinese presence in some third world countries is a kind of “colonization” that doesn’t directly benefit the host countries.
- There is a possibility that China will overreach. Already, some of its partners are beginning to complain about poor follow-through.
- Finally, there is a possibility of a domestic economic hiccup, a shock to the economy.

“What does this mean for the United States?” Economy asks, and then answers: “I think it means both new opportunities and new challenges. China is in Iran for natural gas. That means it plays a larger role in talking to Iran about its nuclear program. North Korea, Angola, Sudan: these all offer opportunities for the United States and China to partner and to work together, to lead in resolving some of these serious global conflicts. At the same time, China offers an alternative to the United States. I remember when President Bush went to APEC [the Asia–Pacific Economic Cooperation conference] in Shanghai in 2001 in the immediate aftermath of 9/11 and said, ‘This is no longer a meeting about trade and

investment; it is a meeting about terrorism. And all of you need to rally around behind us.’ All the countries did rally around the United States. I wonder today whether, by virtue of China’s rise and by virtue of other things that we’ve been doing, we’d get the same response that we got then.”

A big change is now evident, she said, in the way the Chinese present their situation. When Economy first began working at the Council on Foreign Relations, and a Chinese delegation would come through, “inevitably they would begin by asserting, ‘We have suffered a hundred and fifty years of humiliation.’ Now, when they come to see me, the question most often put is, ‘How are you going to deal with a rising China?’ We get a sense that, in the minds of many Chinese, China is on the rise and America on the decline.”

■ *Reported by Tom DeMarco*

China’s Role in Asia and Beyond

Only since the 1990s has China constructively engaged its own neighborhood. It now holds the



balance of influence in the region.

David Shambaugh

Selecting the theme of “the Asian regional context of the U.S.–China relationship,” David Shambaugh lamented the excessive myopia that so often has characterized America’s approach to that relationship—treating it as entirely bilateral, as though the regional environment did not affect the relationship, and vice versa. Both the United States and China are significant regional powers, and their interests intersect regionally on a wide range of important issues. How has the rise of China affected the Asian regional order, and

how shall the United States position itself accordingly?

The phrase *China's rise* implies vertical change of status, “but I would argue that what China has been doing in Asia is much more a horizontal engagement of its periphery,” Shambaugh said. This omnidirectional focus on its immediate neighbors is relatively new, dating only since the late 1990s. Shambaugh noted that for much of the People's Republic of China's history (since 1949), the nation has been largely cut off from its region (either by its own choice or as a side effect of the Cold War). When China did engage its neighbors prior to that, it acted in a largely destabilizing way. During the 1950s, China was cut off from its region because of its alliance with the Soviet Union, because of the Korean War and the Cold War. It was a period of considerable tension, including two near-nuclear attacks—one over the Korean War (MacArthur favored this) and the second over the first of two Taiwan Strait confrontations. China was at the receiving end of America's containment policy.

The decade of the 1960s wasn't much better for China. It engaged in a proxy war against the United States in Vietnam; it fought a border war with India; and it allowed military tension with the USSR to increase after the two fell out. In addition, it sought to undermine various Southeast Asian governments by supporting Communist insurgencies in those countries.

These trends continued through the 1970s, including a brief war between China and Vietnam. The 1980s saw China cease its support for insurgencies and establish relations with most of its Asian neighbors. Yet it still remained focused principally on the great powers—the United States and the Soviet Union—to the detriment of its relationships with Asian nations. It was only in the 1990s that China finally began to constructively engage its own neighborhood.

Shambaugh enumerated some major reasons for the change of focus:

- The Tiananmen events of June 1989, which made China very aware of the relative lack of condemnation from its Asian neighbors;
- The 1997 Asian Financial Crisis, which drove home to the Chinese the reality of their economic interdependence. For the rest of Asia, China's decision not to revalue its currency in response to the crisis was greatly appreciated and helped to stabilize the regional economy, making China seem like a partner nation;
- China began to understand and appreciate multilateral institutions and their value. Before 1997, China had viewed these institutions as tools of likely containment by the United States. But when Chinese representatives began attending multilateral meetings, they often found that Americans were not even present and that the groups could be potentially useful to China. They began to participate much more fully in regional cooperative initiatives;
- The war in Kosovo had a profound effect on how China viewed its own region. It stirred a debate within the Chinese strategic community about potential Kosovo-like instability, and it inclined them to be pro-active in their

own region to promote the stability necessary for China's own prosperity;

- The rise of an “Asianist clique” within China's Foreign Ministry.

China's horizontal engagement with its region over the last seven or eight years has been complex, involving (at least): *economic interaction, the diplomatic domain, multilateral institutions, and the security arena.*

Beginning with economics: China has become the engine for growth for the entire region. It is a final-product assembler of exports to the developed world, engaging in approximately \$600 billion in trade with other Asian nations. Slightly more than half of China's total global trade is now intraregional, leading to a \$137 billion trade *deficit* with Asia (unlike with the West). Regional economic and technological interdependence makes China the center of a tightly linked regional supply chain. Seventy percent of total Foreign Direct Investment in China originates in Asia; and in 2005, China invested \$15 billion in its Asian neighbors—up 100 percent from the previous year. China has also begun offering development assistance to its neighbors, including loans to Vietnam, Myanmar, Mongolia, Pakistan, Laos, and Afghanistan. It has begun to supplement—if not supplant—Japan as the engine of Asian growth, and it also helped lift Japan out of its economic doldrums.

Moving to the diplomatic dimension of China's regional engagement, Shambaugh observed that, “Chinese diplomats have been extremely adroit in interactions within Southeast and South Asia. There is now just a blizzard of diplomatic interactions: presidential summits, prime-ministerial visits, sub-ministerial visits Diplomats posted throughout the region are much more sophisticated and much more pro-active than before ... speaking to groups, giving interviews to journalists, trying to solicit investment and sell China's story.”

Shambaugh pointed out that “China has put right many previously adversarial relationships. China is bordered by more countries than any other in the world (seventeen) and of those, China has had border disputes with just about every one of them, has fought wars with several of them Today, look at the cooperative relationships China has established: India, Vietnam, Russia, South Korea—all countries with which China has fought wars in the last half century.”

As for the private sector, last year one million Chinese tourists visited Thailand; 800,000 went to Singapore. Chinese

■ **David Shambaugh** is Professor of Political Science and International Affairs and Director of the China Policy Program at the Elliott School of International Affairs at The George Washington University. He is also a Nonresident Senior Fellow in Foreign Policy Studies at the Brookings Institution. Of the sixteen books he has written or edited, his most recent are *Power Shift: China & Asia's New Dynamics* and *The Odyssey of China's Imperial Art Treasures*, both published in 2005.

The Rise of China

students are studying abroad, but, more important, some 80,000 foreign students were studying in China—more than 80 percent of them from Asia. But China does not have many other avenues of “soft power” beyond education, according to Shambaugh: “It doesn’t have an ideology to offer, nor a political system that anyone would want to emulate.”

In its multilateral interactions, China is experiencing a learning curve, becoming progressively more comfortable in, but not really seeking to drive or set the agenda of these organizations (yet)—allowing other Southeast Asian nations to take the lead.

In the area of security, the story is more complex (and a bit unsettling): the Chinese military, engaged in a modernization program over the past fifteen years, has built its capabilities across the Taiwan Strait. China has not been naïve about possible uneasiness in its neighbor countries, so it has engaged in joint security dialogues and military exchanges with many of them. And the Chinese have modestly improved their military transparency, though they still have a long way to go.

So what does it mean to the United States that China is now so deeply engaged with its neighbors? Two questions arise from that one: (1) Is United States influence in Asia decreased as China’s rises? and (2) To what extent can the United States and China share interests over a range of issues?

According to Shambaugh, attitudes toward China in the American diplomatic community today break down broadly into two schools of thought:

■ The “inevitable clash” school embraces the idea that asymmetrical power relationships will lead to the rising power inevitably challenging the established power. The most extreme form of this thesis comes from University of Chicago scholar John Mearsheimer and his book *The Tragedy of Great Power Politics* (a work that has had considerable impact on the U.S. “neocon” movement). Mearsheimer says that “all powers seek hegemony,” and rising powers like China do, too. This basically Darwinian view suggests that the United States must act preemptively to contain a rising China.

“In my view,” argued Shambaugh, “this thesis is historically flawed, his analysis of China is disconnected from reality and, indeed, from Chinese history, and his policy prescription is downright dangerous. What makes me sleep better at night is that even if the government in Washington were to accept that view, and they don’t—at least some of them don’t—no other nation in Asia and the world would go along with it. What we learned in the Cold War is that it takes the cooperation of other nations to succeed in containment, and that cooperation is not forthcoming in the China case.”

There is a “soft containment” variation of this that advocates the buildup of military deployments and alliances all around China. We have five U.S. alliances and a number of security partnerships in East Asia; troop deployments in Northeast and Central Asia, Afghanistan, and Iraq; the

buildup of forces in the southwest Pacific, Hawaii, and west coast of the continental United States; and a growing military relationship between the United States and India.

All of this is taking place around China. Shambaugh continued: “If you are sitting in China looking out at this, you are seeing a rather threatening strategic environment. Look at the map. All of these deployments are taking place on China’s doorstep, in its neighborhood, and around its periphery. Just think of how we would feel if China was doing the same thing in the Western Hemisphere, and how we would react. To quote Joseph Nye, ‘If we wish to make China an enemy, it will become one.’ I would argue that we are making China an enemy, through these steps of ‘soft containment.’ The point is that China will react to what we do, and we are moving in a dangerous direction.”

■ The “interdependence necessitates cooperation” school understands that the United States and China are both Pacific powers and China does not really want to evict the United States from Asia. The intersection of interests means that there are opportunities for tangible cooperation. As such, U.S.–China cooperation has been occurring over a variety of important issues: North Korean nuclear weapons development; nonproliferation; counterterrorism; stability across the Taiwan Strait; avian influenza; and other key regional challenges.

The one exception to the positive portrait of China and its relations with its Asian neighbors, Shambaugh noted, is Japan. The United States and China have “a Japan problem.” Relations between China and Japan are politically dysfunctional and have been worsening in the last few years. “I don’t think it’s hit the bottom yet,” said Shambaugh, “and it has major implications for the United States.” America’s failure

“China has put right many previously adversarial relationships.”

to say anything publicly to Japan about “the history problem” has soured relations not just with China but elsewhere in East Asia. Further, the United States has encouraged Japan to strengthen itself militarily and assert a larger regional

security role—unpopular moves in China and the region.

Shambaugh concluded with the assessment that the balance sheet is a mixed but generally positive one for the United States. The major change in the regional order is that China is now constructively engaged in its region. This is something that the United States has wanted for the last thirty years. Shambaugh said that it is essential for America to work with this situation and capitalize on it. We also need to realize that while the United States may still hold the balance of power in Asia, we may no longer hold the “balance of influence”—as China’s influence has increased in recent years.

■ Reported by Tom DeMarco

Who's Threatening Whom?



Decoding China's Intentions

Suisheng Zhao

Moderator Graham Phaup and Suisheng Zhao

To begin, we have to look at history and redefine some terms.

Is China's rise a threat? There is no simple answer to the question posed by the title of Suisheng Zhao's presentation to the Camden Conference. While underscoring the legitimacy of many American concerns about China's military and diplomatic intentions, this professor of international studies at the University of Denver conversely described how, from a Chinese perspective, the potential threat isn't *from* China's rise, but *to* China's rise. And it comes from the United States.

It will take all the wisdom and political skill that leaders in both Beijing and Washington can muster to "ensure that China's rise produces cooperation and not confrontation in the years to come," Zhao said. Just as Americans talk about "the China Threat," Zhao explained, his colleagues in China talk about "the U.S. Threat." They see that threat largely coming from two directions: first, the inherent tensions between "a rising power, China, and an incumbent superpower, the U.S.," which might cause the United States to try to prevent China from "rising as a peer power." And second, the so-called ideological conflict between China as a nominally Communist country and Western democracies, particularly the United States: "They are concerned the U.S. would try to subvert the Chinese political system and regime in the name of spreading democracy."

While U.S. officials tend to emphasize the second aspect—by raising human rights concerns and China's failure to adopt democratic reforms—the Chinese tend to ponder whether the conflict might continue even if China were to become democratic. "They are not sure if the U.S. wants to see even a democratic China become richer and stronger than the U.S."

To illustrate Chinese sensitivity, Zhao—who, besides having been a graduate student and then professor in the United

States for more than two decades, is also executive director of the Center for China–United States Cooperation (CCUSC)—described a recent telling incident. While planning a conference that CCUSC is sponsoring jointly this year with an organization in Beijing, Zhao sent a letter to the cosponsoring group, run by a former Chinese ambassador and deputy minister of foreign affairs. Zhao's letter included the conference title: "The Challenge of a Rising China: Implications for U.S.–China Relations." The cosponsor shot back with an e-mail—and a fax—charging that Zhao's title "indicates intentionally that China is held responsible solely, as if all challenges were coming from China . . . echoing the fantasies of China Threat rampant in the U.S."

Zhao said he had tried to explain to the cosponsor in China that the title carried no such negative connotations, but, he conceded, "These kinds of concerns are understandable from their perspective, if you try to put yourself in their shoes." China is very concerned about the nature of U.S. geopolitical intentions in the Asia Pacific. "Does it [the United States] see China as an ally, rival, or enemy?"

If the Chinese are unsure of U.S. intentions, it may be in part because U.S. officials—uncertain of Chinese intentions—have themselves swung back and forth between describing China as a "strategic partner" and as a "strategic

■ **Suisheng Zhao**, Professor and Executive Director of the Center for China–United States Cooperation at the University of Denver's Graduate School of International Studies, is the founder and editor of the *Journal of Contemporary China*. Of his six books, the most recent is *A Nation-State by Construction: Dynamics of Modern Chinese Nationalism*, published in 2004.

Who's Threatening Whom?

threat.” Zhao pointed out that the Bush administration, in particular, “has struggled to define its stance.” Initially, President George W. Bush was heavily critical of the attention paid to Beijing by his predecessor, Bill Clinton, and he tried to shift the policy focus to “our allies” in Japan and South Korea. Bush promised he would not go to China until he first visited Tokyo and Seoul.

“Then September 11 changed the dynamics,” Zhao noted, “because the U.S. . . . had to work with major powers, including China, to create a global coalition against terrorism.” So, one month after September 11, President Bush went “non-stop” to a summit in Shanghai, after canceling planned visits to Tokyo and Seoul. Over the next year, he met a precedent-setting three times with Chinese President Jiang Zemin—including a visit to the prestigious venue of Bush’s Texas ranch.

“Westerners are concerned that ‘China’s aspiration for great power status, drawing upon strong nationalist sentiment,’ may lead to an ‘irrational or inflexible’ foreign policy.”

“As China continues to rise as a global power, American anxiety about a China threat has continued to rise,” Zhao said, because the question of how China will use its increasing influence on both global and regional levels remains unanswered. Zhao traced how China’s own history compounds U.S. uncertainty. After centuries at the center of an empire that dominated East Asia, the 1840–42 Opium War—“a very dirty war”—“brought the Chinese empire down” and left China very weak for about a century. “With China now back on the rise,” Zhao said, “it remains unclear whether China will seek to develop a sphere of influence over its periphery,” much as the United States did in Latin America in its early years through the Monroe Doctrine.

He pointed to three aspects of China’s policy that heighten uncertainty about China’s intentions. First is a lack of transparency surrounding its military modernization program. China has never outlined what it is doing or why. “If China becomes a leading economy—and it’s going in that direction—in years to come will China also be the most powerful military [force] in the world? That’s not clear.”

Second is a concern about the rise of Chinese nationalism. Zhao points out that the Chinese people suffer from a deep-rooted “victim mentality” stemming from a perception that they were “humiliated by the Western powers when they were weak in the nineteenth century and in the 100 years since.” As a result, many Westerners are concerned that “China’s aspiration for great power status, drawing upon strong nationalist sentiment,” may lead to an “irrational or

inflexible” foreign policy. Evidence to support these concerns comes from such events as massive anti-Japan protests in China over the last couple of years and also the “astonishing” immediate and widespread conviction that the 1999 U.S. bombing of the Chinese Embassy in Belgrade was deliberate. The third concern Zhao outlined was China’s failure to adopt democracy. This has been accompanied by exposition of the “Beijing consensus” on economic development, which sees rapid economic growth with political stability sustained by an authoritarian government as “a very good model for third world countries, developing countries.” This view clashes with the so-called Washington consensus “that wants a free-market system together with a liberal democracy.”

Chinese leaders, meanwhile, have developed a two-pronged response to their perception of a threat from the United States. Going back to Deng Xiaoping in the early 1980s, one policy thread involves keeping a low profile in international affairs, with China’s biding its time and never taking the lead, all the while building up its capacities. But concurrently, China has also tried to carve out a place for itself by promoting a “multipolar world in which China occupies one pole.” This has involved bilateral strategic partnerships with all the major powers. “China has tried to urge leaders to abandon what they call the Cold War mentality and actively identify common interests,” Zhao said, something it terms a “realist worldview.” In this framework, China has promoted such new concepts as its own “peaceful rise” and also the “harmony of the world,” an idea put forward by President Hu Jintao at the United Nations, where he called for countries to respect and tolerate different ideologies and social systems and to avoid “unilateralism driven by hegemonic ambitions.” That, Zhao pointed out, “of course, refers to the U.S.”

Despite all its concerns about Chinese intentions, the United States has not stopped “working with China over a wide range of issues involving U.S. interests,” Zhao said, noting specifically the six-party talks on North Korea, weapons of mass destruction, “supplying inexpensive goods to U.S. consumers,” and such threats to international security as poverty and disease. Even so, “I would argue that due to the pervasive mutual suspicions of the China threat and the U.S. threat, the future of U.S.–China relations is profoundly uncertain,” Zhao concluded. “The China Threat and the U.S. Threat concepts themselves are a threat that could lead to a dangerous confrontation that might divide the world—the whole world—into a new Cold War.”

Following his speech, Zhao was asked whether he had ended up changing the name of his conference, as his cosponsor had demanded. “In fact, we had to change. Unfortunately,” he replied, to “China–U.S. Relations: Opportunities and Challenges for Cooperation.” Zhao recounted responding the same day, admonishing his cosponsors: “You’re too sensitive to the issue. It’s not good for China.” Or perhaps for the world.

■ *Reported by Sarah Miller*



Food and Fright

A military insider shares his perspective on U.S.–China strategies.

Michael Pillsbury

Michael Pillsbury isn't really obsessed with food. Rather, food is the rhetorical device this senior consultant on China to the U.S. Defense Department uses to instill humor and human interest in the potentially arcane topic of China–U.S. military relations. He began with a jovial recollection of his sixteen years of friendship and talk—generally over lunch or dinner—with a Chinese general.

“On a cold November day in New York in 1972 at the United Nations headquarters, I found myself shaking hands with a Chinese major general named Zhang,” Pillsbury recounted. Not long before, a “profound” top-secret paper by Pillsbury’s mentor, Allen Whiting, had helped initiate President Richard Nixon’s famed visit to China. Later, Nixon, recalling his televised debate with Khrushchev in Moscow, decided that “a trip to China, with television and perhaps a debate with Mao . . . was the smartest idea he’d ever heard.” Despite the success of the trip, Pillsbury noted, Nixon and Henry Kissinger found the Chinese were not yet ready for military discussions at an official level—at least judging by their failure to follow up on “an hour and a half topsecret briefing, with really wonderful graphics, about the Soviet military threat to China,” delivered by Kissinger in Beijing. This material has just recently been declassified.

Soon afterward came Pillsbury’s encounter with Zhang and the beginning of a less formal dialogue. “I met with him many, many times that first year,” Pillsbury recalled. “I would be given questions and topics to cover by the U.S. government, and then I would send these [still classified] memos . . . wherein I would write that General Zhang and his staff . . . served twice-cooked pork and raised the question of the accuracy of Soviet missiles. Or I would write that then they brought in the chicken with Hunan sauce and broccoli and the topic became Vietnam. People who read my memos in Washington remembered how I had linked each dish—and

even its flavor—to a sensitive security topic. This was not some crafty idea. I wanted to be able to remember what the main points were, so in my own head, I would link twice-cooked pork, ICBMs. Hunan broccoli, Vietnam.”

Over time, Kissinger and Pillsbury realized that through his proverbs and even poems, General Zhang was saying cryptically—in Pillsbury’s words—“You know, if the Soviet Union invades us, we’ll have a hard time expelling them. And there might be a superpower around who might be willing to help us in some small way because such a war would not be in the interests of that superpower.” Meetings between Kissinger and Zhou Enlai on the issue followed in 1974; later, military cooperation between the United States and China began, “as brilliantly detailed in James Lilley’s memoir, *China Hands*.”

During the presidency of Jimmy Carter, Pillsbury said, a “package of ideas” was developed by Mike Oksenberg at the National Security Council on how the United States could secretly strengthen security cooperation with China. “And Jimmy Carter, to his eternal credit, pushed through some of these steps” after the United States recognized China and the Soviets invaded Afghanistan. “In fact, Jimmy Carter, Mike Oksenberg and Professor [Zbigniew] Brzezinski established the framework for U.S. policy toward China that endures to this day.”

By the time General Zhang became the Chinese defense attaché in Washington, DC, in 1985, “over shrimp and

■ **Michael Pillsbury**, a senior consultant on China to the Department of Defense, is a member of the Atlantic Council of the United States and the Council on Foreign Relations, and former Assistant Undersecretary of Defense for policy planning. He is the author of three books on Chinese military strategy, including *China Debates the Future Security Environment* (2004).

“What the debate within the U.S. government is really about is “the balance between how much to help China’s peaceful rise versus how much to hedge.”



asparagus, we were now discussing how many torpedoes of what type the U.S. navy would sell to China.” Ronald Reagan and the U.S. Congress approved six arms sales to China. Following the Tiananmen “incident” in 1989, however, the relationship between China and the United States in the security and intelligence fields mostly ended. Since 1972, Pillsbury noted, there has been a “bipolar disorder” in which “we would have manic moments of how friendly we all are. We would drink wine, dance Chinese dances, and so forth.” Then, in the down phases, “there would be a surprising and depressing military confrontation, such as in 1996.”

In that year, after the Chinese fired two missiles off Taiwan’s coast, President Bill Clinton “began to change the Jimmy Carter framework,” Pillsbury said. Two American aircraft carriers soon found themselves in “a threatening posture from the Chinese point of view,” and a review of U.S. defense strategy toward Taiwan and China followed. Pillsbury related how surprised the Chinese were when “the newspapers began to carry stories that President Clinton had told the U.S. nuclear forces commander—the U.S. nuclear forces commander!—to develop nuclear options to be used to attack China. This appeared in the *New York Times*, the *Washington Post*, and it certainly appeared in the Chinese press. That’s a very unfriendly gesture, isn’t it?” he queried. Especially to have it appear in newspapers. “As one Chinese general said to me, at least the United States could have kept it secret.”

Clinton reinvigorated our security treaty with Japan. “The press would ask why is that. The Soviet Union’s gone. No answer. So the Chinese supplied the answer: Defending Taiwan.”

During the campaign that first brought him to office in 2000, George W. Bush had called China our “strategic competitor” and accused Clinton of having “sold the country” to China—just as Clinton in 1992 had accused Bush’s father of “coddling the butchers in Beijing.” But six months after he took office, President Bush and Colin Powell put out the order “not to use the word ‘competitor’ when you talk about China.” Even worse was the use of the alternative word “threat”—about which Pillsbury had once joked—which produced a stern, “Don’t even joke” admonition from “a very senior, powerful person in the Bush administration.”

President Bush, however, also took many steps to

strengthen U.S. forces in Asia. The majority of our aircraft carriers, nuclear submarines, and nuclear missile launching submarines were moved from the European theater to the Pacific. “We used to have an army corps headquarters in the state of Washington. It’s being moved to Japan. A corps headquarters is to control an army. It’s to control forces in combat.” The Chinese perceive these steps as aimed at them.

“To China, it looks like the hedging strategy first laid out by the Carter administration and expanded by Clinton . . . is becoming more vigorous,” Pillsbury said. What the debate within the U.S. government is really about is “the balance between how much to help China’s peaceful rise . . . versus how much to hedge. Almost nobody in America would say, Don’t hedge at all.” Pillsbury pointed out that “most want to help China’s peaceful rise to some degree. But it’s how to create the precise balance that is debated heatedly.” He cited testimony of February 3, 2006, by the State Department’s Jim Keith, who showed how every U.S. government department has programs that benefit China’s rise, including the sharing of U.S. science and even helping resolve labor strikes through the Federal Mediation Service.

Pillsbury concluded with a return to his 1972 meetings with General Zhang. “Zhang warned me that if you want to understand how China thinks, you have to read about the Warring States period,* when our basic cultural concepts were laid down.” This “Warring States paradigm”—and what the Chinese see as a latter-day version of it expounded by Professor John Mearsheimer of the University of Chicago—analyzes the way great powers rise and fall and go to war with each other. Now, according to Pillsbury, “There’s been a revival of Warring States thinking in China among civilians and military.”

“There’s a lot of chatter in the United States about a future war with China,” Pillsbury said. “The chatter is heard by memo writers in Beijing who are thinking it is still the Warring States: be careful, be cautious. Beijing believes in geopolitics and doesn’t really have a full acceptance yet of interdependence and globalization.” When confidence-building measures, peace conferences, and globalization were tried during Warring States periods, “the rising state usually violated and tried to overthrow the hegemon, or the hegemon violated it and crushed the rising power.” Pillsbury said: “As long as this Warring States paradigm is dominant in China—and as long as the paradigm that Professor Mearsheimer established remains in place in the United States—then we’re headed for real trouble with China. Real trouble.”

“We need to make sure, both on the benefits and engagement side, that we do our best, our absolute best . . . and then we hedge very vigorously as well and hope that our hedging doesn’t provoke the Chinese into recalling the Warring States.” A somber ending to a speech notable for its humor.

■ *Reported by Sarah Miller*

* In the early Zhou period (400–220 B.C.), the many feudal domains served as independent states until eventually, as the more powerful absorbed their weaker, smaller neighbors, the numbers of states decreased.



One of the many student attendees queries a speaker

The Camden Conference concludes with a discussion panel allowing the audience to ask questions and the speakers to vigorously engage each other.

Sunday's panel consisted of Michael Pillsbury, Michael Tsin, John Pomfret, Robert Kapp, David Shambaugh, Suisheng Zhao, and Philip Brown. Graham Pfaup moderated. (Keynoter James Lilley and speaker Elizabeth Economy were unable to be present.) Questions and answers have been edited to highlight the essential points from as many exchanges as space allows.

Q (College of the Atlantic student): Having lived in Sichuan, I wonder how we can be assured that the benefits of China's new economy are being shared with the rural areas and that everyone benefits.

A: "No foreigner can conduct a purely local relationship," said **Robert Kapp**—the central government will notice it. Local governments may not know what's happening in Beijing, but the converse isn't true. "The regime is especially tough on NGOs in the provinces."

"Westerners in China see the big cities, the miracle of development," added **Philip Brown**, "but it's not universal to the village level. Sichuan, however, is the largest sender of migrant labor [to the cities]. There is an interaction of the world with the village—money flows back from the workers. Small houses are being replaced with two- to five-story houses with satellite dishes. There's a dramatic effect."

Michael Pillsbury responded by describing a Sichuan spice, banned in America, called Pepper Flower, which produces the fifth flavor that's absent in Western food—numbness. It also symbolizes Sichuan's contribution to strategy—paralysis, to render complacent—"a sense that there's no problem here."

Wrapping Up Questions for All

Q (Rockport resident): Please comment on the educational system and compare it to the United States.

A: "There's no phys. ed., [high school] students study until 2 a.m., everything is memorized, learned by rote," said **John Pomfret**. "It is very difficult, very intense competition to get in a good college. A poll showed high school students' favorite hobby is sleeping. At college, everyone cheats, plagiarizes, no one studies. You have to come to class, but everyone cheats on exams. The education is skewed toward a lack of creativity. Few people really love their jobs—they are assigned from above. You need connections to get a good job. Students aren't taught to be curious or to wonder."

Philip Brown's response elicited rueful laughter: "I'm a little less rosy than John.... Primary education is not free and costs a high proportion of income in rural areas. Typically, children are educated for six to seven years, then drop out, or only one child is educated."

Q (Camden resident): What are the U.S. strengths going forward, whether political or economic?

A: "There's a pervasive sense in the United States that we can't do anything right and the Chinese can't so anything wrong," responded **Robert Kapp**. "[The bigger question is] what if the United States gets to the point that all we have is military strength? Can we avoid that?"

"How can we play to our strengths?" **Michael Pillsbury** asked, and then answered: "The Chinese dream for the future world is one with five equal poles, including Japan, India, and Europe, where the United States can be held back from doing bad. It isn't that different from our own view. But we are losing the battle. China is gaining in Europe, playing the Iraq card [with] the United States as a renegade power. They are laying down a challenge. One hope is persuading them they need a democratic system."

"It would be better if the United States sets a good example in the free-market system, liberal democracy, human rights," advised **Suisheng Zhao**. "Many Chinese recognize [these] as a good direction. Chinese can't understand why the United States put itself into Iraq. If we go into Iran, it would be seen as a weakness and great for them."

The role of religion in the United States is an important factor, said **John Pomfret**. "Belief systems have been snubbed out in China. For good or bad, it will affect the relationship."



Moderator *Phaup* and panelists *Pillsbury, Tsin, Pomfret, Kapp, Shambaugh, Zhao, and Brown*

Q (Harpwell resident): Is there a conference this weekend in a small town in China regarding the United States?

A: “There are many conferences,” responded **John Pomfret**, “but not with people like you. Most of them are people in uniforms or Mao suits—actually, it’s suits and ties these days. There are centers of American interest all around the country.”

“There is a lot of organized interest in institutions,” said **David Shambaugh**, “but my answer to whether there’s a similar conference in a village in China is no, and that goes to one of the strengths of America. What we’ve been doing here for the last three days is one of the strengths—it’s called civil society and public education. The Chinese don’t organize themselves this way, they don’t have that opportunity; the government doesn’t give them the opportunity.”

“Civil society is very weak at this time in comparison with the United States,” commented **Suisheng Zhao**. “It is impossible [to have such a conference] except in a resort, organized by the government, but not from the bottom up.”

Philip Brown provided a personal perspective on the question: “A month ago, I was in China with a group of students from Colby College, and we were having a discussion with migrant laborers there—mostly young women who had gone to work in the factories. Most of these women had six or seven years of education at most and were working in shoe factories. They were interested in campaign finance reform and in America’s strategy in Iraq. What person in the United States with six or seven years of education knows about campaign finance reform? The level of interest was enormous, even if there aren’t conferences held all over the place.”

Q (Graham Phaup, moderator): Can I get a read from the panel as to how, with your collective wisdom, you perceive the next three to five years of U.S.–China relations? Let’s assume you have an optimistic/pessimistic barometer: how do you view China?

A: Philip Brown: “I have reason to be optimistic. I’m not necessarily optimistic that that optimism will come to fruition, however.”

Suisheng Zhao: “Both optimistic and pessimistic. Former premier Zhu Rongji had a very interesting statement about the relationship. He said, ‘It will not be good to a very high level, not be bad to a very, very bad level.’ The relationship is cyclical. At this moment, it is up and relatively stable, but we don’t know what comes next.”

David Shambaugh: “I’m actually quite optimistic. Our two societies are now thoroughly integrated and interdependent with each other, and that’s a very stabilizing force. When it comes to China, the Bush administration has been very consistent with the previous seven administrations, and this relationship has been institutionalized at all levels. The only thing that worries me is American xenophobia, American insularity.”

John Pomfret: “I agree with Professor Zhao. Premier Zhu Rongji was and continues to be a very wise man when [commenting] on U.S.–China relations. The only caveat I would offer is that if next year there are serious instability issues in terms of demonstrations moving into the Olympic year, U.S.–China relations will have to deal with that tsunami. And that’s a real possibility. It’s not inevitable, but it’s possible.”

Michael Tsin: “I’m actually a lot more concerned about domestic developments in China than a U.S.–China relationship. I think both sides will handle the relationship reasonably well. The potential flashpoint will be within China.”

Michael Pillsbury: “In Zen Buddhism, certain questions cannot be answered. I will answer with a proverb that my uncle told me when I asked what flying nuclear-armed bombers was like. He said to me, ‘Flying is hours of boredom punctuated by moments of stark terror.’ And that’s the U.S.–China relationship for the next three to five years. I’m optimistic that everything will go fine. My anecdote takes place at a recent multinational conference. A brilliant Japanese diplomat said, ‘I think I get it about China’s peaceful rise, but what if Taiwan declares independence or somehow tries to leave the unity of China?’ And a Chinese scholar, who up till then had been saying, ‘peaceful rise’ every other sentence, leaned forward into the microphone, looked at the Japanese guy and at me and at the Europeans, and said, ‘We will show them no mercy.’”

■ Reported by *Jan Rosenbaum*

About the Camden Conference

Established in 1987, The Camden Conference provides the opportunity for experts and interested individuals to share knowledge and concerns on issues of global importance. Each year, a topic is selected and a series of related events are held in Maine communities from Rockland to Bar Harbor—culminating in a weekend conference in February in Camden, Maine.

Community events include lectures, short courses, and symposia; group discussions of selected books, journal articles, and news reports; and films, art exhibits, and other cultural occasions. All events are open to the public; most are free of charge. They are led by scholars and other well-informed residents of the area. The events leading up to the 2006 conference attracted some 4,000 people.

Speakers at the three-day conference come from government, business, media, academia, and international organizations. Each speaker addresses an aspect of the year's topic, answers questions from the audience, and participates in an exchange of ideas. The speakers spend the entire weekend in Camden, challenging each other, publicly and informally.

In the years since The Camden Conference was founded, programs have examined "The Making of American Foreign Policy"; "The Environment and Foreign Policy"; and "The Influence of the News Media in Shaping U.S. Foreign Policy." In other years, the focus has been on such specific geopolitical areas as Russia, Africa, Japan, the Middle East, and Latin America.

The Camden Conference is a Maine federally tax-exempt, not-for-profit 501(c)(3) corporation. The board of directors includes residents of ten midcoast towns—all of its members volunteer their time and talent to manage these events.

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Photograph by Michael Simon

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Check the Camden Conference Website for updates on speakers, programs, community events, and registration.



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