



CONFERENCE REPORT

A DIALOGUE WITH THE CHINA INSTITUTES OF CONTEMPORARY INTERNATIONAL RELATIONS (CICIR)

A CONFERENCE ORGANIZED BY THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY (NCAFP)

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On November 10, 2008, the NCAFP met with a delegation from the China Institutes of International Relations (CICIR) led by its president, Cui Liru. CICIR is one of the PRC's leading think tanks. The discussion was wide-ranging and covered U.S.-China and Cross-Strait Relations, the Korean peninsula, Japan, Russia and the U.S. presidential elections.

OVERVIEW

Both sides agreed that the past several years under the Bush Administration had witnessed the longest period of stability in U.S.-PRC relations since the end of the Cold War. Both sides also agreed that the relationship now had a strategic framework as a result of intensive economic, military and political dialogues which had now become institutionalized. To be sure, there are problems in U.S.-China relations over economic issues, human rights, Taiwan and Tibet. But both sides had learned how to manage problems.

There was also agreement on the likelihood that the Obama Administration would continue to want to engage China, to move constructively on a variety of issues of concern to both countries, to increasingly interact with China in a positive manner and to promote China's integration into the world community. The American side hoped that President-elect Obama would visit China and the Asia-Pacific region early in his administration, hopefully in March, 2009.

On North Korea, there was agreement that the Six Party Talks had made limited but substantial progress and that many difficult issues, especially the issue of verification, remained. The process of denuclearization of the Korean Peninsula would be prolonged and difficult. Although some Americans doubted that North Korea would give up its nuclear program, the Chinese argued that North Korean leader Kim Jong-il definitely wants reform, knows well what is going on in the outside world, and that he knows that

North Korea cannot continue indefinitely as it is. Kim's strategy, according to the Chinese, is to normalize relations with the United States so that the DPRK can increase its leverage.

U.S.-CHINA RELATIONS

An American participant led off by saying that he expected continuity in the Obama Administration's policy towards China. The Obama administration, he predicted, would move constructively on a variety of domestic, Asia-Pacific and global issues in a way that would allow the U.S. to increasingly interact with China in a positive manner and to promote China's integration into the world community. Both the U.S. and China saw their bilateral relationship as one of the most important relationships they had and although there was a mix of ups and downs, both sides had learned how to manage their differences.

The Taiwan issue was more stable than it had been in decades. China had changed its policy from one of threatening force to deterring independence. And Taiwan, under its new president, Ma Ying-jeou, had moved from confronting China and pushing its claim to independence to finding a path to improved relations with the PRC. Both sides had agreed to defer the issue of sovereignty and to engage in practical cooperation. Most important, a win-win-win situation was developing as good U.S.-China relations, stable China-Taiwan relations, and improving U.S.-Taiwan relations all came together to help promote stability.

To be sure, there were problems in U.S.-China relations. Taiwan's domestic politics are turbulent and there is an active opposition party, the Democratic Progressive Party (DPP) which opposes President Ma's efforts to improve relations with China. It regards those efforts as too rapid and likely to sacrifice Taiwan's sovereignty. Ma himself and his party, the Kuomintang (KMT), are demanding Chinese concessions on "international space", i.e. allowing Taiwan to participate more widely in international organizations such as The World Health Organization. The U.S. side strongly supported this both on the merits and because Ma needed progress on this issue to maintain domestic support for his cross-Strait policies.

There were also continuing U.S.-China differences over human rights. The lack of significant progress on political reform under PRC President Hu Jintao would limit the relationship. The issue of Tibet also hindered progress in the relationship.

The U.S. trade deficit with China also loomed large and it was encouraging to see that China had recently announced a huge \$600 billion stimulus package that was likely to move China away from its savings and export-driven model of growth to one of increased consumption. This might help reduce the huge imbalance between the U.S. and Chinese economies which many analysts see at the heart of the recent global economic turmoil. Also the U.S. and China had established an economic relationship of what the American called "mutually assured destruction." China continued to buy U.S. treasury bills to

finance U.S. deficits but the U.S. continued to provide the export market that is essential to continued Chinese growth.

In sum, there were problems but they were manageable.

Turning to the positive side of the ledger, one American participant pointed out that the relationship now had a strategic framework as a result of an intensive economic, military and diplomatic dialogue which had been carried on by the Bush Administration. This dialogue included a very important Senior Economic Dialogue led by Treasury Secretary Paulson, military to military talks, and wide-ranging diplomatic talks led on the U.S. side by Deputy Secretary of State Negroponte which covered a wide range of global and regional issues, including the North Korean nuclear issue, Iran, non-proliferation, terrorism, energy and the environment. The American concluded by saying that he hoped President-elect Obama would visit China and the Asia-Pacific region early in his administration, hopefully in March.

A Chinese participant said that he agreed with the American's assessment. The past eight years under the Bush Administration had seen the longest period of stability in U.S.-PRC relations since the end of the Cold War. Bush visited China four times in the course of his presidency. No other U.S. president had visited China so frequently. So, he concluded, the U.S.-China relationship was in good shape.

Moreover, the Chinese participant went on, most Chinese were optimistic that the cooperative U.S.-China relationship would continue under President-elect Obama. Obama seemed to appreciate Bush's China policy and he had a strong team of experienced Asia hands.

There were, however, several areas of concern. First, the global economic slowdown might adversely affect U.S.-China relations. Second, the Chinese participant was concerned that the Democrats, who now controlled both the White House and both houses of Congress, might push harder on human rights, trade issues, and Tibet. China also continued to worry about U.S. arms sales to Taiwan.

There were, however, several areas for increasing cooperation. First, the top leaders on both sides must get to know each other. It was encouraging that the Obama team agreed to send their observers to the Senior Economic Dialogue next month. China hoped that the Senior Economic Dialogue would continue under the Obama Administration. It would also be important for the U.S. to continue to play a constructive role on the Taiwan issue. Finally, it would be important to deepen cooperation in areas such as energy, environment, climate change, and global economic problems.

Another American participant said that President-elect Obama would need to place a higher priority on the Asia-Pacific region than has been the case under President Bush. In the 21st century, he said, East Asia would be of enormous strategic importance. We need a senior official to deal with the countries of Southeast Asia (ASEAN), the President himself needs to travel to China more often,, and, in view of the uncertain future of North

Korea, the United States needs to have some quiet conversations with China about the future of the Korean peninsula. We need, he concluded, to try to shape the future of Northeast Asia and to minimize the potential for misunderstanding.

A Chinese participant said he agreed with the previous speakers. He characterized the U.S.-China relationship as a complementary relationship. The two countries had parallel interests not only in economics but also on many global issues and they would have even more common interests in the future. He said it was particularly important to understand correctly the power relationship between the two countries because there was much suspicion on each side of the strategic intentions of the other. In defining the power relationship, he said, he would emphasize the positive side. China is getting to be much stronger but it is still far behind the United States in comprehensive strength.

Concerning the Taiwan issue, he said there was a consensus between the United States and China about maintaining stability in the Taiwan Strait. Moreover, the United States had made it plain that it would agree on any peaceful solution of the issue if both China and Taiwan came to an understanding. With regard to international space for Taiwan, he said the PRC leaders understood that this was the most important issue for President Ma. He thought a solution would be found to the problem. But it must be solved within the one China framework, especially legally. This is the challenge, he said, and it needs to be discussed between the two sides.

THE NORTH KOREAN ISSUE

An American participant opened the discussion and argued that the United States needed to put forward a bigger deal of incentives and pressures with North Korea rather than relying on an incremental approach. He wanted to move up full diplomatic relations and a summit meeting in return for North Korea agreeing to stop all exports of nuclear technology, eliminate its nuclear weapons program, and deepen people to people ties with the West.

A Chinese participant said that the Six Party Talks had made limited but substantial progress. He said also that many Americans did not believe that North Korea was really prepared to abandon its nuclear weapons but that he, on the contrary, thought it would be possible if the right deal was made. There were ups and downs in the process because of the DPRK's suspicions of the United States. He said that the current haggling over verification resembled the haggling over the financial sanctions. There was a tacit agreement but the two sides interpreted it differently. Each side worries about being trapped by the other. There was thus a danger of a vicious cycle. But he thought the challenge could be overcome because North Korea's leadership is strategically rational. The U.S., he said, wants to close all exits to any deal while North Korea wants to keep the exits open. One must understand that North Korea is very insecure and suspicious of both China and the United States. We therefore need to overcome North Korea's suspicions in order to achieve denuclearization.

The conclusion, said the Chinese participant, was that the process would be prolonged and difficult. A real question was whether the Obama Administration would take over the issue and pay attention or focus on other matters. China would continue to play the role of a broker-mediator and will advise North Korea to continue the Six Party Talks. Finally, said the Chinese participant, there are “strong forces” in North Korea who want to normalize relations with the United States and to carry out domestic reform. When pressed on who these “strong forces” were, he said he was referring to Kim Jong-il himself. But he acknowledged that although Kim Jong-il wants reform, there was strong resistance within the North Korean elite.

An American participant responded by saying that he was concerned that the North Koreans may see Obama as softer than Bush and therefore more inclined to make concessions.

An American asked the Chinese whether it would be possible for the U.S. and China to live with a few North Korean nuclear weapons. The Chinese participant responded that China would continue to insist on denuclearization and that North Korea will need to pay attention. China, he reminded the participants, had voted in the United Nations for a strong resolution condemning the North Korean nuclear test in Oct. 2006 and had twice voted for sanctions against North Korea.

In response to further questioning from American participants, a Chinese participant said that Kim Jong-il definitely wants reform, that he well knows what is going on in the outside world, and that he knows that North Korea cannot continue as it is. Kim’s strategy, he said, is to normalize relations with the United States so that the DPRK increases its leverage.

An American participant said that no one knows whether North Korea will give up its nuclear weapons or not. Therefore we must have creative diplomacy, try to build mutual trust and, if the North Koreans do not give up their nuclear weapons, China and the United States must say publicly that this is not acceptable. In addition we should be planning for contingencies such as North Korea’s not giving up nuclear weapons and for post-Kim scenarios.

Another American participant said his real concern was not about North Korea’s nuclear weapons but about the potential for proliferation of nuclear technology. The longer we wait for a solution to the problem, he said, the greater the danger of proliferation of weapons or technology. When a Chinese participant said that proliferation was not likely, the American reminded him that the DPRK had already recently engaged in proliferation with Syria.

JAPAN

An American participant said that Japan continued to suffer from weak government. Both Abe and Fukuda had been weak leaders and Aso’s popularity is declining. The economic

situation there is apt to worsen. But DPJ leader Ozawa is also not popular. The Japanese public, he continued, was enthusiastic about President-elect Obama but the Japanese leaders were nervous because of the myth, prevalent in Japan, that Republicans are pro-Japanese and Democrats are pro-China. The fact is that there is continuity across parties in the U.S. on policy towards Japan. The American participant also said that there was unlikely to be a pro-active agenda for Japan on how to improve U.S.-Japan relations.

On Japan-China relations, the American said that Aso is very pragmatic towards China and has had good exchanges with China's President Hu Jintao. He noted that the visits to Japan of Hu and Premier Wen Jiabao had both stressed Japan's post World War II accomplishments and did not mention the history issue which had been the source of such tension in the past. As a result, both Chinese leaders made a positive impact on Japanese opinion. The sense of a "China threat" was now weaker in Japan. Moreover, the two governments had now shelved the territorial issue and begun to discuss joint exploration for oil and gas.

A Chinese participant said that he detected anxiety in Japan. There was no clear strategic direction and no creative ideas. The Japanese were anxious about a rising China but had no clear strategy to deal with it.

RUSSIA

There are two big challenges here - the financial crisis (and declining oil prices) and the fallout from the Georgia issue, including the Ukraine.

A Chinese participant said there was important economic cooperation, especially on energy, between Russia and China. China will provide Russia with \$25 billion in loans and Russia will export 300 million tons of oil to China and build a pipeline to China. China is also mapping out a plan to revitalize its northeast region adjacent to Russia and Russia is developing a scheme to develop its Far East by 2013. Both countries were now studying how to combine the two projects.

CHINESE THINK TANKS

In response to a question from an American, a Chinese participant said that there were diverse views on foreign policy in Chinese think tanks ranging from hardliners to liberals. But the major trend, he said, is represented by those who advocate cooperative relationships with the other great powers and with neighbors. There was a strong conviction that the policies of the past 30 years, since China began to open up, were very successful and need to be maintained. Also there was increasing confidence on the part of the Chinese leaders in those policies.