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**Power Shift:  
China and Asia's New Dynamics**

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## **PANEL 1: CHINA AND THE ASIAN REGION**

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## **PANEL 2: CHINA'S RISE AND SOUTH ASIA, JAPAN, AND TAIWAN**

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## PANEL 1

### CHINA AND THE ASIAN REGION

DR. BUSH: Good afternoon. I'm Richard Bush. I'm a senior fellow here at Brookings and the director of the Center for Northeast Asian Policy Studies. It's my great pleasure to welcome you to this event today, a joint program of the Center for Northeast Asian Policy Studies and the China Initiative here at Brookings. We've worked very closely on this program with my good friend and colleague, David Shambaugh, who's the director of the China Policy Program at George Washington University and, I'm proud to say, is a nonresident senior fellow here at the Brookings Institution.

The program is on this book, *Power Shift: China and Asia's New Dynamics*. David Shambaugh had the wisdom and foresight to see several years ago that something very important was going on in Asia as a result of China's accumulating power. This wasn't just quantitative, it was qualitative. And he brought together some of the best minds on China and its relations--myself excepted--to examine the subject, and the result is that book.

I'll make one small advertisement. The book will be on sale at the break and after this session, so get your wallets out.

What we're going to do this afternoon is to talk about the findings of the book with some of the authors. We're going to start right away with David talking about the book, and then examine some general issues.

Before we do so, I would like to thank my staff for all their help on the arrangements, and Elizabeth Brooks of the China Initiative and the staff of the Communications Department here at Brookings. Without them, none of this would have been possible.

Without further ado, David Shambaugh.

DR. SHAMBAUGH: Well, thank you, Richard, not only for the introduction but, more importantly, to you and Jeff Bader and CNAPS and the China Initiative at Brookings for hosting today's event and book launch. Publishing a book is sort of like having a baby, except the pregnancy period is much longer--in this particular case, almost three years from, shall we say, conception to publication.

As the book title and subtitle suggest, this is a book about China's growing power in Asia but also about its behavior and influence, and what the changes in those three areas mean for the regional dynamic. So this is not just a book about China. This is in fact a book about the international relations of the Asia Pacific region.

If I could summarize the findings in one sentence--which is a dangerous thing to do when you have 17 or 18 chapters in a book--it's that power is shifting toward China in the Asian region, but not absolutely and not equally across different realms. We found, generally speaking, that it is shifting toward China most in the economic realm, less so but still noticeably so in the diplomatic-political realm, and least so in the security sphere; and that--and I'll come back to this point in my closing remarks--international relations in the Asian region are a very complex mix of multiple trends, not simply the rise of China. I'll come back to that.

But as I say, this book is a culmination of three years of work and also intensive collaboration, I'm pleased to say, amongst the 17 authors who contributed to it--17 authors from six different countries, many of whom, I think, are the world's leading specialists in their particular areas. So I'm delighted to have collaborated with them. This is truly a collaborative effort.

When we began the project three years ago, as Richard suggested, nobody was paying a lot of attention to China's regional role. But I had sensed that there were some important changes afoot qualitatively and quantitatively and that it had important implications for the regional order. So we went into the project, A, to explore empirically what China was doing in its region and what those implications were.

During the intervening three years since we launched this project and had a conference two years ago, almost exactly, in which the initial drafts were presented, the subject did begin to attract attention, largely from journalists and secondly from diplomats in the region.

Journalists such as Jane Perlez of the New York Times published a series of articles--she wasn't the only one--on China's regional role, and diplomats, around the region but also here in Foggy Bottom, began to pay increasing attention to China's regional role and, in the case of Foggy Bottom and the Americans, began to wring their hands about "China eating our lunch in Asia." I've heard that phrase many times over the last two or three years, China eating America's lunch in Asia. I don't know if that's the case, but there was clearly a sense of angst amongst American diplomats about China's new proactive regional diplomacy.

Scholars, I would say, have been slower than journalists or diplomats to study and follow and understand China's new regional role. But scholars have begun to do so. This book is the second book to appear on this subject in the last six months, the other being Robert Sutter's very fine volume, "The Rise of China in Asia," I think is the title of it--Rowman & Littlefield--and I commend that book to you as well.

Now, what I'd like to do in just a very brief time, 10 minutes or so, is to give you a sort of summary overview of the contributions to the book and finish up with the kind of principal argument about "so what?"--what does it mean for the regional order in Asia?

First of all--and I do encourage you to go out and perhaps buy a copy later--but there are flyers that describe the table of contents. Let me briefly do so for you.

First there's an introduction by the editor of the first section, on China's strategy in the region, in which I have a chapter but also two leading Chinese scholars, Zhang Yunling and Tang Shiping from the Academy of Social Sciences Asia Pacific Institute, both of whom, I would say, have been instrumentally involved themselves in helping to think through in a think-tank kind of way what China's strategy should be in Asia. And they've been very involved in the ASEAN senior officials meeting and the various events that have led up to the first Asia Pacific summit--what was it called?, the East Asian Summit in Kuala Lumpur in December.

This section is followed by a section on what is really the heart of the book--or heart of the phenomenon, I should say--China's increasingly central role as the engine of the regional Asian [inaudible]. And there are two excellent chapters here, one by Japanese economist Hideo Ohashi on China's regional trade and investment profile, and one by British economist Robert Ash, a truly unique chapter, I would say, by Professor Ash that looks at the linkages between China's domestic and regional macro economy and the external national and regional economies around China--in other words, the creation of transnational economic networks that transcend boundaries and sovereignty and really define what the global supply chain, or at least the Asian supply chain, is like today. So two very fine and very detailed empirical economic chapters.

That section is followed by section 3, six separate chapters on China's regional, diplomatic, and political relationships all around its periphery. Mike Mochizuki, who you will hear from in the second panel this afternoon--a former Brookings senior fellow and now my colleague at George Washington--on China-Japan relations; former CNAPS fellow Jae Ho Chung from Seoul National University on China's relations with the two Koreas; esteemed CNAPS director Richard Bush on China and Taiwan; the esteemed Professor Wang Gungwu, who directs the East Asia Institute at the National University of Singapore, on China and Southeast Asia; Professor John Garver, who you will hear from later, on China's relations with both South and Central Asia--a very big task that John took on, and did a very fine job of; and finally, a chapter by Yu Bin, of Wittenberg University in Ohio, on China-Russia relations.

So we will hear from professors Garver and Mochizuki on China's relations, respectively, with Japan, South and Central Asia, and I might even try and encourage John to say something about Southeast Asia in Wang Gungwu's absence in the second session.

Section 4 of the volume turns from economics and diplomacy to security and China's role in the security of the region. There are two chapters here, first by Bates Gill of CSIS on China's regional security strategy, which involves many elements. It goes far beyond the military domain. It involves China's multilateral security diplomacy, if you

will, and a number of sub-elements of that. And then a chapter by Michael Swaine from the Carnegie Endowment, next door, on China's regional military posture, the hard security, if you will. And this chapter by Swaine is really a tour de force, I think. It's a very up-to-date assessment of where the PLA is today, but also where it's going in the next 5 to 10 years, so good one-stop shopping for those of you who want to know what the state of the PLA is and where it's going to be.

And then we move--there are two final sections to the book, both of which ask the "so what?" question. Section 5 of the books asks, What does it mean for the United States? Section 6 asks, What does it mean for the region, for the international relations of the Asia Pacific region? The two chapters concerning the United States, implications for the U.S., are by David Lampton, from SAIS, across the street, and Robert Sutter of Georgetown University, respectively. And they come to two rather different conclusions in their chapters.

Lampton, in essence, argues that the United States need not look at China's regional rise in a zero-sum light, that China's influence around its periphery is very uneven, but that--and to quote him--"the overall direction in which China's regional policy has moved is consistent with fundamental U.S. interests" and that, if intelligently managed, the Sino-American relationship can indeed be very conducive to regional stability.

Professor Sutter differs from that viewpoint and is less sure. He argues that China's influence in Asia actually remains quite limited, particularly when contrasted with that of the United States--a sub-theme that in fact Professor Garver's chapter also notes. And Sutter disagrees with those, like myself, who believe that American influence has diminished in the region. Sutter thinks that it's still very strong. Moreover, he argues that while it does not seem apparent that China is explicitly moving to evict the United States from the Asia Pacific region or to diminish American influence in the Asia Pacific region, Sutter argues that implicitly this is exactly China's strategy and that, while not wanting to confront the United States directly, around the margins, wherever they can, the Chinese are working to diminish American influence in the region.

So you have two--in these two chapters, Lampton and Sutter--two very different perspectives on what China's regional diplomacy means for the U.S. in Asia. So I commend those to you.

Then we examine in the final section, professors Yahuda and Pollack, respectively, what it means for the regional order. And I'm going to not try and summarize their chapters because that's the subject of the first panel.

So that is a sort of thumbnail sketch, if you will, of what's in the book, in the 17 chapters. It's very rich in empirical detail, I think. There's a lot of data and, I think, some pretty sound judgments and analysis in the book, too. It is not a sort of journalistic analysis of the subject. So I encourage you to buy and read it for yourselves.

Let me just in closing address one other issue, and that is the key issue that we all went into this project collectively to address; namely, is the Asian regional system becoming Sinocentric? Are we seeing the reincarnation of a modern-day version of the tribute system--a China-dominant or a China-preeminent regional system? That was a question, a research question and maybe even a hypothesis that we tackled in the conference and subsequently. And we collectively came to the unanimous conclusion that this is not the case at all.

To be sure, China's rise and regional engagement, intensive regional engagement on its periphery is one of, and indeed a very important one of, macro trends characterizing the regional order, but it's hardly the only one; and that there are a number of other trends, four or five at least, that do characterize that emerging regional order--some of which we will discuss here in the first panel, but let me note four or five of them in addition to the proactive China.

First, obviously, is the continued U.S.-led security system in Asia, both the hub-and-spokes bilateral alliances with five different nations, but also non-allied security partnerships with others in the region, as well as unilateral American deployments in the region. So let us not forget the role of the United States when talking about the Asia Pacific region.

Second, the relationship between the United States and China is a major characteristic and macro trend, if you will, if not the major one. And here there are some differences of analysis in the book and, I'm sure, amongst ourselves that we can explore.

Third, the relationship between China and Japan, clearly a critical relationship. These are the two major regional powers. I would consider the United States an extra-regional power by that definition. And that is a relationship that is clearly deteriorating. Professor Mochizuki will speak to that in the second panel.

Fourth, I think we are seeing, albeit gradual, the emergence of a normative and multilateral community in Asia. It's far from institutionalized. It's certainly not following the European model. It's proceeding in a very gradual bottom-up Asian kind of way--forge consensus first and then try and move forward on that. And to be sure, a regional identity, a pan-regional identity is far from evident, and it is compromised by strong nationalisms throughout the region. But nonetheless, I think we're seeing over the last seven, eight years the growth of regional institutions--ASEAN-led, principally, but also others--that is beginning to give some strength to a multilateral architecture in the region.

And finally, the last trend I'll note is at the sub-state level, and that is the growing intensified interdependence amongst societies--economic interdependence, technological, cultural, even, other areas of so-called soft power--that are really binding these countries together, that are eroding, in some ways, sovereignty and compromising to a certain extent the nationalism that's long been evident in the region.

There are indeed other trends. I'm sure there are more in addition to those that my colleagues will address. But I just want to let you know that we concluded that the region is not becoming Sinocentric, that the rise of China and its peripheral engagement is a very important trend that we have to follow, but we should not at the same time make too much of it or over-blow it. It is one of many factors.

So with those introductory remarks, let me turn it back over, I guess, to my colleague Richard Bush, who will moderate the first session.

DR. BUSH: Thank you very much, David.

I hope everybody can hear me. We'll now move into the first panel, which we'll do more as conversation in which I will pose some questions to each of my colleagues in turn. I'd like to start with Jonathan Pollack, who's a professor of Asia Pacific studies at the Naval War College up in Rhode Island.

Jonathan, do you think that China has developed a true security strategy for the long term, or do you think what we're seeing is a medium-term policy designed largely to avoid a confrontation with the United States?

DR. POLLACK: Good question, Richard. And thank you for the introduction. Let me emphasize that although I am a professor at the Naval War College and a U.S. government employee--which is a surprise to some, I suppose--these are really very much my own opinions.

DR. BUSH: Thank you for that clarification.

DR. POLLACK: Indeed.

I think China has moved some significant distance towards identifying a strategy that works, works in relation to a set of goals that have been articulated in recent years. It began, however, I think, with a more basic assumption, that old habits, old practices were going to be potentially be very, very damaging to Chinese interests both in the near term and in the longer term, that of course it was the case that the preeminent intention, I think, was to try to make it much more difficult for any kind of a strategy that could inhibit the growth of Chinese power and might even involve a direct confrontation with the United States.

But I think it has evolved a significant distance from the original animating impulses that we began to see, I think, in the late 1990s and very, very early 2000, 2001, to a point where I believe it has begun to affect more long-term calculations about how China positions itself relative to other states in the region and how it also, for good measure, provides China some options and opportunities for building diverse relations within the region and the different parts of the Asia Pacific region; but also, that it does confound, I



think, in some significant measure any kind of an effort to stigmatize China, isolate China, and so forth.

Again, it's not a purely security strategy in the classic sense, because it involves political and economic as well as military components, but it's clearly a strategy that works, or that they find works fairly well under most circumstances. To this extent, I think, over time it's become--it's taken on many more manifestations of a strategy precisely because it does answer the mail in so many critical aspects.

DR. BUSH: Do you think there's serious debate in the Chinese leadership about the broad contours and the specifics about China's external relationships, especially towards the United States?

DR. POLLACK: I think that there is debate, but let's see how we define "debate" or "interests" that may be different. Certainly different constituencies will have very, very different kinds of goals, or potentially different goals in terms of relations with the United States. In the scholarly community, certainly, in the analytic community, you can identify what are clearly very diverse underlying assumptions about what a set of expectations would be, about relations with the United States and the possibilities for a different kind of regional security order.

So whether it translates into things that are affecting policy in a palpable way may be a bit more under dispute--dispute in the sense that you can see how there is a diversity of opinion, you can see how the, if you will--I'm hesitant to call them schools of thought--but certainly different clusters of people who see the future different and see China's options different in the future. But the practical requirements of decision-making, it seems to me, of policymaking, are necessarily very, very different. There is, in essence, I would say, kind of a mainstream pragmatic nationalist school of thought that tends to dominate, but it's elastic enough that different components can also be addressed. Because, you know, frankly, China, like the United States, has a hedging strategy. They are presuming the possibility of favorable outcomes and minimization of the risks to Chinese interests. But you reserve options in case things don't go as you planned. There's nothing exceptional about that.

But what that means is that diverse elements of the system may be going off on their own tracks as, if you will, protection, or potential insurance against a variety of setbacks. This would be, of course, most manifest in the area of China's military modernization. I'll come back to this, because it does seem to me that, when the United States looks at China, we now have this label that Deputy Secretary of State Zoellick has provided about a responsible stakeholder. The question still persists, however: Do we really see that role extending to a larger military reach and role for China. And I'll come back to that.

But that's a component of what I think is a much more differentiated strategy but, as I say, one that I think there is essential working consensus at the top with an

allowance for different strains and different possibilities that could materialize, depending on circumstances, many of them beyond China's control.

DR. BUSH: Well, speaking of circumstances, do you see developments that could trigger significant movement away from sort of this mainstream approach?

DR. POLLACK: Sure. If the goal of a mainstream approach is to keep China a bit, if you will, under the radar screen, or, as I say, keep the strategic headlights not focused on China--if that doesn't succeed, that is to say, if elements of confrontation or crisis would be much more manifest, then you have to ask whether or not that essential consensus holds. Much of the attention here, obviously, as with reference to contingencies involving Taiwan--I'm sure we'll go back to that--but it goes beyond Taiwan as well. We have the festering, if that's the right word, the festering situation on the Korean Peninsula, which shows no evidence of reaching any kind of a fundamental breakthrough. China has invested heavily in a strategy that tries to keep a lid on these tensions, but I could imagine an outcome where, in essence, the United States concludes that, really, there is no possible means, in terms of what the United States would be prepared to do, that would preclude the steady emergence of a nuclear weapons capability in the North. Under those circumstances, the regional environment looks a lot less congenial, I would argue, to Chinese interests, doubly so because that might be very well the basis on which you would see a significant enhancement of American-Japanese collaboration.

So there are a variety of ways in which the question would be, does the United States in particular find itself drawn back into East Asia as opposed to our continuing preoccupations on other fronts? Not to make too crass a point about it, but obviously American preoccupations in Iraq, Afghanistan, and elsewhere have removed a lot of American energy and resources to fronts that, although they matter to China, they don't matter in the same way. But if we could imagine circumstances that are more crisis- or contingency-driven within China's immediate domain of interest, then you have to ask whether or not that recalibrates the balance and recalibrates the set of perceptions and expectations and calculations that I think China presently has and the leadership presently has about what the United States is likely to do within areas that are of immediate Chinese interest.

DR. BUSH: Looking at it another way, can you see ways in which China's emerging regional security concepts are fundamentally compatible with those of the United States? And include the--talk about the stakeholder concept.

DR. POLLACK: Right. They're compatible to an extent. Compatible--you know, in a certain sense, a lot of it, if you keep it at the level of a certain kind of reassuring language and the like and if you are in a peacetime day-to-day mode, I would argue that there is essential rough compatibility if not outright convergence. I don't know if that's good news or bad news because, in many ways, that has a quality of deferring a larger strategic reckoning, if you will. I don't mean to mean this has to come in some kind of a cataclysmic event, but, you know, to a significant extent both we and the Chinese are kicking cans down

the road. We have goals and interests that it doesn't take a rocket scientist to see could potentially be in conflict, but there are shared incentives, for different reasons in the two countries, to keep these things on a very low boil.

But if I look at the longer term, if the longer term is one that assumes that the region moves more in the direction of some of the directions that David noted before, the question is whether or not the United States finds that fundamentally in its long-term interest. This isn't a session on the United States, but it's hard not to talk about this.

Now, in the near term, of course, we are trying to walk and chew gum at the same time. We have a situation where the Bush administration has moved a significant distance, I would argue, politically and otherwise, towards a recognition of the importance that solid relations with China have for not only the bilateral relationship but larger American interests. It's manifest, of course, in Deputy Secretary Zoellick's label.

The question I suppose you could ask about this label--and it's not the first time that either we or the Chinese come up with a magic label. I mean, the Chinese have their own right now. So it's a question of ownership. Who's got copyright privileges, what does it really mean, is it really intended in some sense simply, again, to find some kind of a political basis on which you can move ahead because you have real, practical interests at stake. I mean, again, look at Korea as a very, very clear-cut example of that.

But it's a very--still, I think--an incomplete rendering on what do we really mean by "shared stakeholder"? I mean, after all, if you look at what China has done over the last 10 or more years, they've done a lot of what the United States always said that they wanted China to do. You want China to be a good citizen, you want them to join all these international institutions, you want them to be identified with treaties and all kinds of, you know, "good norms." They've done that. It's a China that's focused heavily on its economic development. They've done that. It's a China that seeks collaboration with its neighbors, save Japan--and, of course, save Taiwan. It's done that.

But does it extend--and this is, I think, the 64-dollar question--does it extend to a readiness on the part of the United States, in a long-term sense, to see China as a fundamental participant in whatever the ultimate post-Cold War security order will be in the East Asian region? And I have to put a big question mark on that. There are growing concerns manifest very much in the latest Pentagon report that China is now intent upon acquiring military capabilities that go "beyond Taiwan." Even if we're sort of setting aside Taiwan as a special case and even assuming that there's no major crisis relating to Taiwan, the issue is being raised that this is not good for American interests. The very, very heated, very heated responses of the United States to consideration by the EU of a possible change in the arms embargo policy, coming down very heavily on the Israelis for modifying some systems that had been sold earlier, suggest that, in a long-run sense, the United States does not deem a more robust Chinese military to be in the national security interest of the United States.

If that is the case, we are headed for very troubled waters, because--to me, I'm always reminded of Hans Morgenthau's observation about the difference between a psychotic and a neurotic. Morgenthau said that a psychotic thinks that 2+2 equals 5. A neurotic knows that 2+2 equals 4, but he's unhappy about it. Is it within the realm of our national strategy that we can pick and choose the kind of China that we want as a major power? Why is it that the growth of autonomous strategic capabilities in India is deemed a good thing, as I think it inevitably must be that it's going to happen one way or another--it's also going to happen with China. But clearly our attitudes towards this, for reasons that are not necessarily self-evident, are very, very different.

So thought of in those ways, as these states become much more robust, much more self-confident--and, you know, again, whether it's India or China, they have no desire to be an ally of the United States--we could be headed, I think, for much more problematic long-term waters unless we really work in a very, very diligent way with the Chinese, not to see them as sort of a special case that we set aside, but to ask very concretely how and in what ways and in what areas do you both, A, avoid any kind of confrontation and crisis, and B, see what the possibilities are in fact for some kind of meaningful collaboration between China and the United States--not to the exclusion of others, but towards a longer-term order that will look, I think, very, very different from what the United States has been traditionally accustomed to in the region.

DR. BUSH: Very good.

Let us turn to Michael Yahuda, who's professor emeritus of the London School of Economics. Welcome, Michael.

How would you describe the different constituent parts of the regional political and diplomatic order as distinct from the security order which Jonathan has just discussed?

DR. YAHUDA: Well, obviously, they are linked. Clearly, the United States, with its what's called hub-and-spokes strategic relationships, treaty relationships, is a major factor. This is part of a diplomatic order as well as a strategic one. And clearly the tightening of the security relationship with Japan has enormous diplomatic consequences as well.

Alongside that pattern, if you like, on one side, there is the longstanding indigenous one, based on Southeast Asia, for multilateralism, or the ASEAN, which, although it is often referred to as regionalism and compared with Europe, I think, as David Shambaugh pointed out earlier, is fundamentally a very different kind of regionalism altogether. This is not with the idea of pooling sovereignty. On the contrary, it's with the idea of upholding sovereignty and independence. Therefore, the basis for the association is one in which the operation is to focus much more on the process rather than in terms of rule-bound outcomes in which everyone is bound to follow whatever has been agreed.

In addition to that is also the mantra of noninterference. This goes back to the period in which ASEAN was established back in 1967. In some ways you could compare it to Europe, in the way that the European Union arose out of an accommodation between Germany and France. So with regard to ASEAN, it arose out of an accommodation between Indonesia and Malaysia after a period of two or three years in which Indonesia denied the legitimacy of the existence of Malaysia and of its particular borders.

And that's it. ASEAN is designed to ensure that the various problems that each one of the states has that could spill over into the other are not allowed to spill over. Therefore, regionalism has been seen in terms of, first of all, resilience for each individual country and therefore that leads to regional resilience. This has been looked at as to whether the glass is half full or half empty more or less ever since ASEAN was established. Because the countries have similar economic profiles and they are on the whole developing countries, or were developing countries, most of their trade has been with people on the outside rather than from within. And so although the language has been about economic integration, very little in fact has been achieved on the ground, although the situation has improved more recently.

Now, this is a system which has proved very useful to the Chinese, who have really begun to play with it from the end of the 1970s. Up until that time, China was rather hesitant with multilateralism. I suppose, like many great powers, the idea of the regional smaller powers gathering together evoked a sense in which they would be gathering together against the major power, and that China traditionally had dealt with all these various countries on a bilateral basis, which of course strengthened the Chinese position. However, by the late 1990s, the Chinese saw in this approach something very attractive to them, and they've proved since then very adaptive and very skillful in using this process to advance their own goals and their own ideas.

In the ASEAN Regional Forum, which was formed in 1993, principally with the idea of bringing China into the region, of trying to engage China, get China to understand the concerns of the regional powers, this has now blossomed out. And although the regional powers, the original grouping of the ASEAN Regional Forum, looked in terms of establishing some pattern of cooperative security whereby they would start off with focusing on confidence-building measures, then go on to preventive diplomacy, and finally to some form of conflict resolution, on the whole they've been stuck with confidence-building measures. It's never really gone beyond that. And a major reason for that is China. China is still not happy with the idea that, somehow or other, third parties or others could somehow have a say in the resolution of all the various territorial and other disputes it may have with others within the region. Certainly it does not want the Taiwan issue raised at all within this kind of context.

So the Chinese have very skillfully been able to use their growing economic significance into a kind of political diplomatic one. They were primarily instrumental in establishing what was called the ASEAN+3 arrangement that involved dialogue not only with the ASEAN countries, but also involving China, Japan, and South

Korea. This was going to be the original basis for the East Asian Community, as that was going to be established in December last year at a meeting in Kuala Lumpur. But the Japanese, and to a certain degree the Singaporeans as well and some others in the region, were concerned that this would end up being too China-dominated, and they were then able to enlarge it so as to bring in not only India, which had some claim to being an Asian country--I'm not sure whether East Asian, but nevertheless it was brought in; and also Australia and New Zealand. In that sense, by enlarging it, the idea was that it wouldn't allow any single country to dominate and set the agenda. And the Chinese had originally articulated a certain agenda of their own, but which they have since withdrawn.

So there is a sense here of an emphasis on multilateralism of a particular kind that is still, really, seeking to find a point of direction to it in which they can all agree. It's been fairly slow-moving. They have managed to agree on one thing arising out of the Asia financial crisis back in 1997, and that is to have some currency swap arrangement. Now, that hasn't been tested yet. And clearly, anything of that kind really would be judged only once it's tested, because it runs up against the idea of noninterference. Because clearly, if a country is having financial difficulties because of currency problems, the others are not going to simply just underwrite that without any kind of conditionality. So that still remains to be seen.

So in some sense, this is still a pattern that's finding its own way. But underlying it is the economic integration of the region, centered very much on China, and that provides a subtext for the diplomacy.

And then there's a third kind of multilateralism that goes by the name of the Shanghai Cooperation Organization, and the fact that the Chinese have lent their own name to it is a very significant development in its own right. I believe they will be talking about this more specifically at the next session. But let me just say that this is somewhat different from the ASEAN one, as it started off by specifically focusing on the security threats, real or imagined, posed by terrorism, especially of the Islamic kind, and the dangers of separatism. And as far as China was concerned, of course, this focused very much on the Xinjiang region. It also signified a willingness to work, if you like--at the surface, at any rate--with Russia rather than being seen as competing to somehow or other replace Russia in Central Asia.

DR. BUSH: Okay. Thank you very much.

David, I'd like to come back to you and talk about your chapter a little bit. You argue that China's been engaging its neighbors since 1997. Take a few minutes, if you will, to distinguish the different types of this engagement.

DR. SHAMBAUGH: Well, I would date the engagement largely from the late '90s--'97-98. And it's sort of interesting first to ask, you know, how did China come to this engagement? It didn't just drop from the sky one day or happen by osmosis, or then-

leader Jiang Zemin didn't wake up and say we've got to engage our neighborhood. Like other things, there were contributing factors that led to it. I just would note a few.

First was the Asian, one might say, non-reaction to the events of June 4, 1989. Unlike the West, which reacted vociferously and with sanctions, Asian countries, with the exception of Japan, said very little, if anything. Some said this is an internal affair of China's; others said nothing. Some said this is a regrettable incident. But many said nothing. Only Japan joined in the G-7 sanctions and immediately, in 1990, began to try and wriggle out of those. So that was--the Chinese, of course, took note of that. And that, I think, began to make the difference in their own minds between their neighbors and the G-7 countries.

Secondly, as Michael just referenced, the Asian financial crisis. China reacted in a more responsible way, shall we say, by not devaluing its currency. It came to the aid of Thailand and Indonesia, and subsequently even, I think, South Korea, to try and stabilize their currencies. That was an effect.

Then from '97-98, this whole process that Michael was just describing of engagement with regional multilateralism began to really grow. China first saw, I think, a lot of these multilateral fora in Asia as potentially tools of the United States to contain China. But they began to send observers to many of these Track 2 and ASEAN-related meetings in the '97-98 period and found, in fact, that these fora were not tools of the United States--in fact, the Americans weren't even present in many of them--and that the agendas being articulated by the Southeast Asian states in particular dovetailed very much with China's own visions on how the regional order should evolve. So there was increasing comfort level with these organizations.

And then finally, it may seem a little odd, but you'll recall in '97, was it, the Kosovo war and the bombing of the Chinese embassy in Belgrade. Now, you may ask what does that have to do with China's regional diplomacy. Well, a lot, because China subsequently undertook internally this heated debate about the peace and development thesis--are we still living as Deng Xiaoping told us in the era of peace and development. It doesn't look like it if you look at Kosovo and other parts of the world. The upshot of that internal debate was that, yes, we are still living in the era of peace of development, but, B, we, China, have to be much more proactive in shaping the external environment, the peace part of it, in order to facilitate the internal development side. So I would say that China's proactive regional diplomacy grew out of that internal debate which was stimulated by the Kosovo war. So '97-98 I see as the real turning point, but one has to look into the early '90s to see what led to it.

Briefly, I mean, China's regional engagement you can differentiate, as we do in the book, into economic, political-diplomatic, security, and multilateral engagement--four different varieties. I won't go through these; the chapters in the book do. But as I suggested in my opening remarks, China's influence, if you will, and power is greatest in the economic domain, secondly in the political-diplomatic domain. There are some major

caveats on that one, namely Japan, Japan, and Japan, which we'll come back to in the next session--Taiwan, to a lesser extent. But otherwise, you know, remarkable changes in China's bilateral relationships around its periphery with countries with whom China previously had very antagonistic relations, indeed fought wars--Vietnam, India, Russia--and the relationship with South Korea completely transformed. So I give very high marks to Chinese diplomacy in setting right its regional diplomatic relationships.

The security domain, finally, as Jonathan has indicated, much more mixed, you know. But China's not unaware of the region's reactions to its own military modernization program. And I argue, and I think Bates Gill argues in his chapter, that they have taken various sort of diplomatic, what you might call military diplomacy steps to try and assuage the concerns about the military modernization program: security dialogues, gradually increasing transparency, publication of white papers, joint exercises with regional navies, and so on--all of which I see as sort of political tactics to try and mollify and assuage concerns about what the PLA is really doing in the hard-power dimension.

DR. BUSH: There was an article in the New York Times yesterday about the promotion of Chinese language around the world. What does China have to offer in terms of soft power?

DR. SHAMBAUGH: A very good question, and I sort of wrestle with this in my introduction. The short answer is "not much." I was thinking of this as I was reading the article about the Confucius institutes in the Times yesterday. But, you know, if you look at the sort of traditional definitions of soft power, as Joseph Nye defines them, and you ask is China offering these to its neighbors, one has to conclude no, China does not have an ideology it is offering to or pushing upon or its neighbors are seeking to emulate. It does not have a political system that its neighbors seek to emulate. High culture or popular culture, you don't really see it emerging beyond what we might call Greater China. Fashion, role models, sports, I mean, these things that we associate with soft power--yes, we have Yao Ming in this country, but you don't find--in other words, I don't find Chinese soft power being of much appeal or being exported to Asia.

But there are two, sort of, exceptions to this general trend. One is in the area of what the Chinese call the new security concept. I'm not sure this is soft power; it's normative power. But I see a convergence between China's new security concept and what Jonathan and Michael were just describing, of the ASEAN kind of view of regional order. All of this goes back to 1955 and the Bandung era. And those norms, if you will, and those ideals, I would say, are still very much alive in Southeast Asia, to a certain extent in South Asia, and in China.

And secondly, higher education. This is harder to measure, but China's universities are now training an increasing number of foreign students. About 80,000--not compared to American universities, but there were last year about 80,000 foreign students studying on Chinese campuses, of which 80 percent come from Asian countries, of which 50 percent come from one country alone--South Korea. Now, I don't know over the long



term what effect that's going to have, what kind of soft-power impact, but these people will be sensitized to Chinese culture, Chinese language, Chinese history, norms, politics, food, and they will go back to their countries, move up their professional hierarchies, and have what we call epistemic community interrelationships with their counterparts in China.

So that's, I would say--those are two sort of exceptions, but overall I don't see China as much of a role model in soft-power terms.

DR. BUSH: Michael, you had a quick comment?

DR. YAHUDA: Yes. There's one aspect of China's soft power that perhaps wouldn't be considered very kindly over here, and that is the concept of noninterference and supporting dictators in various parts of the world. It's interesting that the Chinese combined with their Russian friends to suggest that deadlines should be given for the American troops and installations to leave Central Asia arose very shortly after the troubles in Uzbekistan, where the United States was seen as supporting NGOs and others who were seeking to expand democracy, or some kind of relationship to it, and these people were gunned down by the local dictator who, very shortly after, was received with great pomp in Beijing. Mugabe has been received there. In this sense, the Chinese feel comfortable with a situation in which their model, if you like, of dictatorships providing stability within which economies can flourish is something that is considered very important by them. And there are quite a number of countries around the world, including Iran and others, who don't necessarily disagree with that.

DR. BUSH: David, some analysts argue that Asian countries are hedging against China. What do you think about that? On the other hand, do you see evidence that China's neighbors are band-wagoning with China?

DR. SHAMBAUGH: Good question. There is a lot of discussion in international relations circles about this. There's a very fine article in the current issue of the *Washington Quarterly* by Evan Medeiros on this subject, who argues that there's a lot of mutual hedging between the U.S. and China going on but that other Asian countries are also hedging against China.

Clearly that's the case with Japan. Hedging is probably too soft a term when it comes to Japan. But there is evidence of Singaporean hedging. But I don't-- personally, I would be very interested in Jonathan's views on this--I don't personally see other countries hedging against China. Do I see them band-wagoning with? Only one, South Korea. I see South Korea as having cast its strategic stake with China. But I don't really see a band-wagoning other. What I see is a region that wants to keep the United States and China having as cooperative and productive a relationship as possible. Their nightmare scenario is for the two tigers to fight and the grass to be trampled--I guess it's elephants who fight, and the grass to be trampled underneath.

So I think some of the lively debates about hedging are over-stated, and similarly on the band-wagoning side, too. But I'd be curious what my colleagues think.

DR. POLLACK: I would agree very much with David. David and I were both in Australia in the spring--our spring, not theirs--and I was very struck by the extraordinary movements in Australia both at a popular level, but also at a governmental level, where the last thing that anyone in Australia wants is for a choice to be forced upon them and the sense of not seeing any incompatibility between being able to move ahead very vigorously with China--and not just in the economic dimension; in other dimensions as well--at the same time that you sustain a very close relationship with the United States. I mean, if you think about it, that's clearly kind of an optimal outcome for most of the states of the Asia Pacific region, maybe all of them. I think many of them figure, you know, if you manage this skillfully and if the United States and China manage this skillfully, there's no reason why you can't get to that kind of an outcome.

But I agree with David that the tendency to kind of try to shoehorn the emergence of China into some kind of an existing template for the way states are supposed to behave and so forth, I frankly don't find that very, very useful. That may reflect my own prejudices about international relations theory. But there's a capacity that states increasingly are able to develop a set of their own interests, diversify their relationships, and sustain them, absent a major defining crisis. That's where things become, it seems to me, potentially much dicier. But I don't see anything right now that suggests to me that anyone, including a number of close of American allies--again, with the exception of Japan--are putting themselves in a single basket. That's just not the way they think, that's not the way they act, and that's not the way they see their opportunities.

DR. BUSH: Quick comment from Michael?

DR. YAHUDA: Hedging has to be understood as something different from balancing. It's a kind of insurance. So that, for example, Southeast Asian countries are very happy to thicken their relationship with India so as to ensure that they don't become, as they would see it, overly dependent upon China. So it's not necessarily against China. It's not necessarily a balance, but a situation of preserving independence and preserving capacities for more autonomy. And you can see that even in terms of those countries, like Cambodia or even Myanmar, which arguably are very much within China's orbit; nevertheless, their leaders seek to thicken out other possibilities.

DR. BUSH: When Kishore Mahbubani was here for the launching of the China Initiative, he quoted the phrase "when the elephants fight, the grass gets trampled." He also said the second half of it, that when the elephants make love, the grass gets trampled.

[Laughter.]

DR. BUSH: With that, we'll go to questions. And I would make one observation. All of the panelists are very, very bright, so you can keep your questions very crisp.

DR. SHAMBAUGH: They won't keep their answers very crisp.

DR. BUSH: No. No, no, no, no. The other side of the bargain is that the answers will be crisp so we can have plenty of questions.

First question. Please identify yourself and we'll go from there. Wait for the mike.

QUESTION: This question is for professors Shambaugh and Pollack. I realize it's going to be discussed in the next panel, but I wanted to be sure to ask the two of you: When will the PRC take Taiwan, or will it?

DR. SHAMBAUGH: Well, I was hoping that Richard would also say that the questions from the audience, hopefully, will deal with the book rather than current concerns. I, you know--when will China take Taiwan, or will it? I don't have a crystal ball. It depends what you mean by "take." I don't think that is China's long-term aspiration. But it depends what you mean by "take." "Absorb," I think, might be a better verb.

DR. POLLACK: Yeah, I mean, again, I know that that immediately puts you in a--when you use that kind of a metaphor, it gets you in a particular direction of analysis. And, you know, that's what a lot of our organizations in the U.S. government and a lot of scholars and so forth necessarily are going to do. The question that's more interesting to me than answering that is, how would you find yourself in a situation that China determined that either, A, it had no alternative but to "take Taiwan," or B, saw its aggregate power such that it would be essentially consequence-free? Those are questions that it seems to me can be addressed and need to be addressed and have to be the continued focus of American policy and the policy of others.

QUESTION: My name is Arnold Zeitlin and I teach at a university in Guangzhou.

I heard frequent references to China and the United States and Asia, but I counted five references in passing to India. And I wonder if you could expand a little bit, as Professor Yahuda just did, on the role of India vis-a-vis China and the rest of Asia in the future. Thank you.

DR. BUSH: Would you mind if we held that question to the next session, because that's precisely one of Professor Garver's—

QUESTION: You win some, you lose some.

DR. BUSH: We'll take another question.

QUESTION: Nick Berry from Policy Forum.

Is it fair to say that China is a pacific power in both senses of the word? It is trying to prevent belligerencies, wars, that will disrupt the international economic system. It tried very hard, as you know, to prevent the U.S. attack on Iraq. And it is working now, much more close to home, to prevent U.S. belligerency towards North Korea and Iran, in which it has enormous economic and political stakes. Do you see that as a part of a security policy to really put the brakes on U.S. aggression or whatever?

DR. POLLACK: I would contest the judgment that China really tried to prevent the United States from going into Iraq. The Chinese, who have learned a great deal about American strategy and American behavior--in fact, it illustrates precisely the latitude that was given the administration, because the Chinese were fatalistic about it. They knew it was inevitable. And the trick was, don't get in America's headlights. It is no accident that, if you look back to the time of the war, where was American ire directed? It was directed against France, Germany, to a lesser extent Russia; not China.

I was in China immediately before the breakout of the war and talking to a Chinese colleague, and he said he had gone home and his wife had observed that all over Chinese television there were all these--all the videotape of the demonstrations in Italy, the demonstrations in France and all that, and she looked at him and she said, How come we don't have any demonstrations here in China? It was very indicative, it seemed to me, of a more adept style and understanding about how to get along, for better or for worse, with the United States; in effect, saying, well, if they're going to do it, they're going to do it, but don't put yourself on the firing line of that.

Now, more broadly you asked the question about Asia Pacific tendencies. You know, again, I don't see that the Chinese feel that there is either a necessity or an incentive to find themselves in any particular situation of major military conflict. The Chinese haven't gone to war in any significant way since 1979. Some border incidents with Vietnam well into the '80s, but nothing major.

Now, you could argue they're just simply husbanding their time, gathering their strength, waiting to use their power in more coercive ways, and I suppose that's legitimate to think about. But I guess the question always is, will a more capable China be inclined to use its power in those ways, and that's one of the fundamental questions we're all trying to come to terms with. I think the Chinese are, too.

QUESTION: My name is Bronson Percival. I work at CNA. I wanted to ask a question about how tensions in the Chinese-Japanese relationship spill over into other regional relationships between China. For example, Southeast Asia. We always posit the conflict between the United States and China in Southeast Asia, but if you go back and dig

into it, it looks like China's rising and Japan is actually declining or falling. Is there a conscious Chinese attempt to limit Japan's influence in other parts of Asia?

DR. BUSH: Michael?

DR. YAHUDA: Well, the fact that China's rise economically as affecting Southeast Asia coincided with a degree of Japanese, if you like, withdrawal has certainly given the impression that the Chinese, if you like, are rising at the expense of Japan. But on the other hand, if you look at it in terms of the scale of Japanese investment, it's still much, much, much more than anything the Chinese have put in Southeast Asia. If you look at it also even in terms of trade, Japan is still, I think, still just about--well, it's certainly one of the major traders with Southeast Asia.

But I think the issue is really a question of perceptions. I think in Japan, certainly, there is a perception here and the Japanese have been, certainly, continuing with ODA in various parts of Southeast Asia, there's been an attempt to encourage Japanese business to go more into various parts of Southeast Asia. And in Cambodia, where I was recently, the argument was that the Chinese go in without considerations of the political situation or, indeed, of the absence of a proper rule of law and so on, but this is something that bothers Japanese companies much more.

So there is a sense of a rivalry. And I think in Southeast Asia there is concern that this rivalry could be damaging to them, not so much in economic terms but in political terms. And I already, I think, mentioned the problems that arose with an attempt to establish an East Asian Community. And here the fear is that this rivalry will extend elsewhere; for example, in ideas of how to work together to prevent pirates from attacking container ships and other sorts of things. So it's something that worries the Southeast Asians a great deal.

DR. BUSH: Wang Yuan-Kang?

QUESTION: Hi. Wang Yuan-Kang, CNAPS fellow from Taiwan. My question is about a Sinocentric order. I think since [inaudible] people have been saying that China has been a defensive-minded state and that the China tribute system is a benign one. And so I was also intrigued by Professor Shambaugh's article in *International Security* that says that China does not have a significant history of coercive statecraft and the tribute system is such an example. And so, but given that, is Asia going to be Sinocentric on such an important issue? So my question is if this Sinocentric system is a benign one and [inaudible], then should the United States be concerned about the emergence of a Sinocentric system in Asia? Thank you.

DR. SHAMBAUGH: Well, thanks for your question. In my introductory remarks I tried to make clear that we collectively, and I personally, do not see a Sinocentric system emerging in the region--and for various reasons, including the four or five attributes

of the regional architecture, if you will, that I listed at the end. I mean, even if China wanted to create a 21st century version of the Sinocentric system, these other four or five characteristics wouldn't permit it. And I don't think the other Asian countries would permit it. They don't like to be put into that sort of position. But the United States is not about to pack up its bags and go home. The Asian multilateral architecture is not about to emulate the EU. A whole variety of things are not going to transpire. So it's sort of a moot question.

But I would note that, you know, one has to talk about the periods of traditional Chinese statecraft. There are those--Iain Johnston, for example--who believe that China has had a parbellum coercive tradition. We have certainly seen that in the post-'49 period with wars with a whole variety of China's neighbors.

What I was trying to argue in that article and do in one of the chapters of this book is that the tribute system worked in essence in patron-client terms. It wasn't a coercive hegemonic system. It was a what you might today call a positive-sum, mutually beneficial patron-client system--the clients got something from the patrons and vice versa. And I also argue in the chapter that that's not what we're seeing emerge here.

So there are a whole variety of reasons why I don't think that the Sinocentric system is going to emerge in the region. I was simply trying to remind readers of what--when China was dominant in Asia, how that system worked. It was not a coercively hegemonic domineering dictatorial kind of system. So all these people who fear China as being, you know, the dominating dictator hegemon, I would simply point them to China's history. I don't see the evidence for it.

QUESTION: I'm Garret van der Wees, originally from the Netherlands, now working with the Formosan Association for Public Affairs. From what all you have said, it seems that China is content to be a regional power. But others say, including Alan Wachman up at Tufts, that China really intends to be a world power and that it does need a blue-water capability for that, it does need control of Taiwan for that. What is your view on China's aspirations to be a world power?

DR. POLLACK: You know, I'm fond of saying that I can't see far enough to answer that question. But even if, for sake of argument, we posit that China does develop a much more capable military that can extend its reach, and indeed much of it would presumably be manifested by the maritime domain, which is not--certainly in PRC history has not been the dominant emphasis. Even if you posit that, would that necessarily translate, automatically translate into that being a China that is intent upon expansion of one kind or another? That to me is still, frankly, an open question.

My sense, though, is that if there is a belief that, you know, locked in a drawer somewhere in Beijing there is that grand strategy that, you know, they've got all the answers--it reminds me, frankly, of a lot of the ways, when Chinese used to come to the United States and visit me when I worked at RAND, the presumption was, well, in that drawer you've got that grand strategy for the United States locked up.

I don't see that as the way the world works. I think that fundamentally--and we haven't talked too much in this panel about the degree to which China's security options, defined however you wish, are rooted in domestic considerations. Indeed, I would just note in passing, since I've got the mike at the moment, you know, when we talk about things that would knock things awry, is that what if we are in a circumstance where we are not dealing with a China that is as successfully modernizing as it seems to be at present? I mean, there are lots of scenarios where the modernization program goes off the rail somehow--and we don't want to--you know, there's not enough time to go into all the gory details. Would that recalibrate the expectations of China's leaders?

I think it is, however, axiomatic that the periods of time when China has used power in much more coercive ways have been, over the last 55 years, in China's "revolutionary" phases. It should be a fundamental goal of the United States and others to do everything that you can to encourage and caution China to not grab at that kind of a forbidden fruit. Now, that's not going to be a decision for China itself to make. One could very well argue that in this much more complex environment, it's going to be contingent at least as much on what other states do as well as what China might do.

But I think that--you know, again, do Chinese have a vision of a state that again assumes much more centrality in the regional order and maybe beyond the regional order? They may have articulated or at least thought about it in some sense. Does that necessarily predict to a much more adversarial future? Not necessarily. It could, but not necessarily.

DR. BUSH: Michael?

DR. YAHUDA: I think that it is quite evident that the Chinese do not think of themselves as exclusively a regional power. They like to think in global terms. They take great pride in their being a permanent member of the Security Council. They may have a limited global reach at this point, but the Chinese have their own approaches to Africa, to Latin America. They're getting more and more engaged. Their domestic requirements for commodities, especially energy, are going to lead them into developing their own relationships with countries and regions which have these things which the Chinese need. The Chinese feel they have their own kind of aid to offer. And I think the Chinese, from that point of view, see themselves as wanting to be as great as anybody else, or at least not to be inferior to anybody else. And although they don't talk as much now about the hundred years of shame and humiliation that they used to, I don't think it's gone entirely from their memory. And in that sense they don't want to be seen as in any subordinate or inferior to the United States. It doesn't necessarily mean they want to challenge the United States everywhere, but they certainly see themselves as developing their own interests.

I think part of their problem is that they haven't really got a clear view of their own identity going forward. They don't really know what China itself will look like in

10, 20 years, never mind about what China will look like in the world as a whole. But certainly their aspirations are not limited to their own region, however you may define that.

QUESTION: My name is David -- retired from the University of Washington in Seattle.

I think there is one area which I think the last speaker just touched upon, and that is the psychological issue. China along with many of their neighbors have been humiliated for the last century and a half. When India is one and Southeast Asia are many, now China is saying we are now the equal, as you're using your term, of anyone -- culturally, in terms of the Confucian teaching, we are second to none, actually.

So I hope the panel will address the psychological issue in these countries that you have visited--how they view the upcoming of China and relative subduing of Japan in particular.

DR. POLLACK: I might start this. I mean, I think for many in the Asia Pacific region it is less triggering anxiety, it's more what took China so long to get to this point. I mean, we're not talking about the rise of China; you're talking about the re-rise of China. And I think that for many Americans, you know, maybe one of the opportunities is to, you know, learn, at least in passing, a little Chinese history, a little sense of the cultural centrality of China in Asia's history. But necessarily in the modern era, the idea of a much more robust self-confident China that over time may be able to articulate visions of its own--I mean, again, I think Michael's point before about Chinese don't have that identity, that sense of exactly where they're heading, but they do see, as it is said, that strategic opportunity to realize or advance these kinds of goals--which still leaves open the kind of China we may be dealing with. But I think your point is extremely well taken.

DR. BUSH: With that, we will close. Shamelessly I will remind you that books are available out in the foyer.

DR. SHAMBAUGH: Photographs are free.

[Laughter.]

DR. BUSH: We will resume at 3 o'clock sharp.

[Applause.]



## PANEL 2

### CHINA'S RISE AND SOUTH ASIA, JAPAN, AND TAIWAN

DR. SHAMBAUGH: Okay, well, let us commence with the second session. I'm going to transition from participant to moderator in this one. And we run until 4 o'clock.

In this session, we are going to look at three sets of China's peripheral relationships. It's somewhat necessarily arbitrary in the way we've done this. Some of the contributors are in Asia, Singapore, South Korea, respectively, so they cannot join us today. What we've tried to do is invite three of the contributing authors, Professor John Garver from Georgia Tech, one of if not this country's leading specialists in Chinese foreign policy, but I can definitely say this country's leading specialist on China-South Asia relations, and John has contributed a chapter on that subject, but including China's Central Asia relations, quite a difficult task few if any people could manage, but John has done that.

Secondly, my colleague Mike Mochizuki from George Washington University contributed the chapter on China-Japan relations, and Richard Bush on China-Taiwan relations.

I think we're going to proceed more or less in that order, I'll pose a number of questions to each, and then at about 3:45 or so we will open up the session for questions from all of you. We're going to start, as it were, with Central and South Asia and then move around to Northeast Asia from there.

John, let me start then by asking you a couple questions about your own chapter. First of all, if you take a look from the broad sweep of history of China's relations with its periphery in Asia, to what extent, speaking of Central Asia, do you see what is happening in the last few years between China and Central Asia fundamentally a new departure than China's relations more historically?

DR. GARVER: I think a couple of basic things are new. The first is that China for the first time in its history is able to master modern transportation technology and provide it to Central Asia. Throughout history there's been this interaction between technology and geography, but China was never in a position for economic reasons, technological reasons, and political reasons to apply this modern transportation technology, by which I mean railways and modern highways, to Central Asia. It's doing that now for the first time. Historically, I mean going back for millennia, this was a region of China's periphery in which this harsh terrain fundamentally constrained the expansion of Chinese influence. I think that historic constraint of technology and terrain is falling.

The second thing is that the end of the Soviet Union has eliminated the earlier political barriers to that. The USSR was a highly--and suspicious political entity and

that also prevented the development of transportation lines from China into that region. Under the Soviet imperial system all roads led to Moscow, and increasingly roads are leading not to Moscow but to other actors, and China is one of those major actors.

I think that we're entering a new stage in the international politics of East Asia, and China is going to be a major player in that game.

DR. SHAMBAUGH: Just following-up on your point about transportation networks, in your chapter where you discuss China's South Asia relations, you also make a lot of the transportation inroads, no pun intended, necessarily, into the Subcontinent. In fact, you have a wonderful map on page 210 that I was just looking at of how pipelines, roads, railheads, rail networks are crossing over the Himalayas into South Asia and how China is using this as a springboard for a broader presence. Could you elaborate a bit more on the transportation issue in the South Asian case as well.

DR. GARVER: You have three axes of advance. One is through Pakistan going down from Kashgar which since 1999 has been the southern terminus of the South Xinjiang Railway going down over the Karakoram Highway, Kundara Pass down to Islamabad where it feeds into the Pakistani rail system, and China has contributed several billion dollars to the modernization of Pakistan's rail system. The sea terminus of that of course is the new China-supported harbor at Gwadar in Pakistani Baluchistan. So there's a major investment of resources to modernize that whole corridor.

Then on the Eastern flank you have what Yunnan Province has called the Irrawaddy Corridor built upon the old Burma Road, the modernization of the Burma Road, the dredging of the upper Irrawaddy, the building of new harbors both on the Bay of Bengal and down by Rangoon. The Irrawaddy Corridor is actually very significant in terms of commerce from the Southeastern region. That bears a very heavy cargo flow from Yunnan Province and Guizhou Province which are hindered in terms of getting to the east coast of China. It's much more convenient for them to send it down to the Bay of Bengal, cheaper and quicker. It saves a couple of weeks apparently, according to the Yunnan Transportation Bureau. Again, major investments there.

The third, of course, is the Lhasa-Golmud-Xining Railway. This is Tibet's first railway, and when it's completed I think this year is going to really transform Tibet's whole economy and plug Tibet much more closely into the economy of mainstream China, and of course will bring much more Han migration into Tibet. Of course, the reason for building this is not to project China's influence into Nepal or Sikkim or Bhutan or so forth. It's to tie Tibet more closely into the mainstream of the Chinese political economy and polity.

Having said that, I think that it will perforce enhance China's influence throughout the Himalayan periphery. For example, if you imagine that the Maoist rebellion in Nepal should, God forbid, succeed and you have a Maoist government in Nepal, to tear Nepal out of India's economic orbit would entail a great cost, but governments sometimes do that for the sake of national liberation. When Fidel Castro took Cuba out of the

American orbit, he understood the cost of that, but he nonetheless thought that was essential for Cuba's national liberation. A Maoist government in Nepal might reach similar conclusions perhaps, and the situation in 1989 when this episode last came up, Nepal didn't have any options. With a railway going from Xining to Lhasa or maybe even a further extension going from Lhasa through Shigatse down to Katmandu, a Maoist government in Nepal would have different choices. I think we're witnessing what I call the transportation revolution in Central Asia.

DR. SHAMBAUGH: A very unique way to look at international relations. Returning the for a moment to Central Asia and leaving transportation, energy and the economy for politics, could you say a little bit about your views of China's political relations with the Shanghai Cooperation Organization [SCO] states and how they might have been changed if at all by the so-called color revolutions? And do you see China and Russia engaged in a kind of great game for competitive influence in this region?

DR. GARVER: Actually, I don't. I would put it the other way. I think there's also a condominium. In its origin, the--before the SCO had two bases, I think. One was to stabilize Central Asia so that there wasn't war in the post-Soviet period, and to try to contain the Islamic renaissance which exploded far more quickly and forcefully than anybody anticipated. But secondly, there was an agreement, a meeting of the minds, between Beijing and Moscow to minimize American influence, and I think that still prevails. There is a strategic partnership between Russia and China and to some extent it's based upon a common apprehension of the United States and they don't like the idea of the United States mucking around in what is their back yard. One aspect of the Shanghai Cooperation Organization is to constrain the American presence and limit the American ability to do bad things including to engineer a permanent ongoing military presence.

China has said several times regarding the American military presence in Central Asia we have take note of the American explanation that this is a temporary situation contingent upon ongoing combat operations in Afghanistan. In other words, don't think this is going to continue.

And there is also the factor that Michael pointed out before, these post-communist governments don't like the American democratic activism, or even more, the Western democratic, the European countries play major roles in this, too, and they look around for friends and China is one of the countries that is willing to befriend these nondemocratic countries beset by Western democratic arrogance. And the fact that one of these countries is China's neighbor, Uzbekistan, a major country in Central Asia which used to be one of the foremost U.S. strategic partners in this region, that's a second benefit.

DR. SHAMBAUGH: Let me ask you finally at least in this round about China and India which, as I say, you've really written a very fine book that I commend to all, a subject you've spent a lot of your career looking at. Clearly, the improvement of relations between China and India is one of the more noteworthy aspects of international relations in the region in recent years. But I'd like to ask two things maybe. One is to what

extent has the improvement of Sino-Indian relations been accomplished by, on China's part, without damaging its relations with what you call in the chapter China's all-weather friend, Pakistan, how has it managed to do this? Secondly, how do you see this relationship evolving? What kind of brakes, if you will, are on it? This is still the only unresolved border conflict that China has with any neighbor, with Pakistan and some of the other strategic competitive issues you talk about in the chapter. Could you tell us a little bit about how you see this relationship evolving, and are you surprised by how quickly it's gotten to this point?

DR. GARVER: China's objective in South Asia I believe is to develop multidimensional, all around friendly, cooperative relations with all the countries of Southeast Asia in according with the five principles of peaceful coexistence, emphasis on all, that means, India and India's neighbors, and multidimensional means not only economic and political, but security and military cooperation.

China insisted on this throughout the process of rapprochement in the beginning of December 1988 with Rajiv Gandhi's visit. By my reading, Indian leaders didn't like this, but they came to accept it because this was the only way to move forward with rapprochement with China, it being China's insistence in maintaining military-security cooperation with Pakistan even while it was forging rapprochement with India.

Again, my sense is that Indian leaders would have said to Beijing, for the sake of friendship because we are becoming friends now, you should not support Pakistan's nuclear program, for example, you should not assist Pakistan's ballistic missile development programs. Why are you helping build this huge port at Gwadar which clearly has strategic implications and even strategic origins? Why are you doing all this? And China's response was because we want friendship with all the countries of Southeast Asia, in South Asia, I'm sorry.

To some extent the question is more why India bought into this. My answer to that is I think that, first of all, China is a very powerful country economically and militarily, and for the same reasons the United States wants friendship and cooperation with China, so too does India. More recently I think there's an economic rationale. Going back to the earlier discussion about China's soft power, I would say that a very important aspect of China's soft power is the appeal of the China model. How has China been so successful in becoming the world's greatest magnet for foreign investment? How is it that these multinational countries from around the world, leading cooperations of the world, are falling over themselves to set up factories in China? India wants to learn how to do that, and that is a significant component of the Indian desire for greater understanding and cooperation with China.

I think Nehruvianism is still quite strong in India, although not as strong as it used to be, but there is I sense a sense that we're all Asians, we're all developing countries, we're all much put upon by the West and we should stand together to assert our ancient, non-Western civilizational greatness in the face of this Western hubris and arrogance. That

still is an element of I think why India bought into this arrangement that China insisted on of continuing its cooperation and strategic partnership with Pakistan even while improving relations with India.

DR. SHAMBAUGH: Thank you very much. I'm sure we'll come back to the Sino-India relationship subsequently. Let us pivot if we can to Northeast Asia and to Japan and Sino-Japanese relations which is clearly the major caveat to the broader trends that we've been discussing today in China's regional diplomacy. Mike Mochizuki has contributed the chapter in this subject and in it he describes how the era of the friendship diplomacy framework that extended from the 1970s to I guess you can say the late 1990s has broken down but has yet to be replaced by a new framework.

We've seen obviously in the last year or two a real deterioration of political relations between the two countries. I wonder if you could discuss a little bit your notion about whether a new equilibrium, I think you used the term in the chapter, can be found and how you see the prospects for restabilizing, if that's possible, this relationship.

DR. MOCHIZUKI: First of all, I should note that for the Chinese, the relationship with Japan has been extraordinarily frustrating and I think if one goes back to the early 1990s, many Chinese analysts saw that East Asia was moving towards a more multipolar structure and a feeling that somehow Japan would be an independent actor and more autonomous of the United States. What we've seen over the last several years is exactly the opposite, that Japan has moved into a tighter security relationship with the United States and the possibility that China could drive a wedge between the United States and Japan doesn't seem to be in the card.

To some extent there is some discussion that maybe now China is shifting gears and rather than trying to drive a wedge between the United States and Japan, might try to isolate Japan and East Asia. One doesn't know whether that is in fact a change in tactics or strategy on the part of China.

In the chapter in this book I am probably in the minority in terms of analysts of Sino-Japanese relations. I am not Pollyannish or particularly upbeat about Sino-Japanese relations, but I think compared to most observers of this bilateral relationship, I tend to be more open if not somewhat cautiously optimistic. It is clear that the old friendships-diplomacy paradigm has deteriorated, has now I think essentially collapsed, a period in which the Japanese were obsequious and very accommodating to China, very sensitive to China's concern about Japan's expanding security role, much more sensitive to the Chinese about Japan's relations with Taiwan, and trying to buy friendship with the Chinese through economic aid. That whole paradigm has collapsed and I think on the Chinese side, the notion that the U.S.-Japan alliance was a positive thing for China, that it was better to have good relations with Japan because of a common threat, the Soviet threat, and also the notion to be relatively soft on the history issue and accept the Tokyo tribunal view of history. I think that has collapsed.

One could imagine, to put it in start terms, two alternative scenarios. One is this downward spiral which many talk about where you have a strategy rivalry, an exacerbated security dilemma, economic interdependence leading to greater frictions rather than convergence, and a real breakdown in communications and dialogue between the two countries. If you look at the last 2 years, there are a lot of indicators of that.

When I wrote the first draft of this paper and then subsequently revised it, I became more negative, but I wanted to preserve the basic openness of where things could go because there are centripetal factors that could come into play. In terms of economics, and we'll probably get into this issue, there's a clear disconnect between the deterioration of political relations and increasingly a closer economic relationship. From Japan's point of view now, if you include Hong Kong, China is the number one trading partner. Japan continues to be very important for Chinese economic interests.

Another reason why I would keep an open mind about the future is that at the state to state level, not at the political leadership level, but at the state to state level, after observing Sino-Japanese relations relatively carefully over the last several years, what struck me is that there is a problem-solving mechanism at the bureaucratic level to try to deal with issues in a business-like manner and to bargain about interests. Also I am skeptical of this notion that the two countries are in a struggle for strategic leadership or dominance in the region. Perhaps China may have this kind of hegemonic design. I'll leave it to China specialists to address that. But at least from the Japanese point of view, there may be a nationalistic drift in Japan, but I do not see a strident nationalistic agenda to achieve some kind of dominant position in the regional order.

Certainly, Japan wants to extend its influence, would like to make sure that it's influential, but I think it recognizes that its capabilities are modest, it's better to lead from behind. I was struck by Foreign Minister Aso's speech of December 7th, I believe. The English translation was Japan the thought leader, and I thought, here's Japan going to make an argument for being a vocal soft power state, and as I read the text, especially when I read it in Japanese, it was much more modest. What Foreign Minister Aso was talking about was in very awkward English, to be a trailblazer through hands on practice, which is essentially that the Japanese had met many of the problems that are now facing Asia already like the rise of nationalism, economic development, environmental problems, the Asian society. So the Japanese could maybe show through both the successes and failures how to deal with these issues. That's the notion of leadership.

I think a lot hinges on the political dynamics within Japan. I see that there are the domestic raw materials in Japan for a shift in China policy. With Prime Minister Koizumi's popularity and his stubbornness on Yasukuni, there has been a broken dialogue, I recognize that, but I think many Japanese especially in political elite circles and among business elites understand that a continuation of this will do irreparable harm to a relationship with the most powerful neighbor that Japan faces. So I think there are efforts to think about a candidate that would shift gears on Yasukuni that would make a diplomatic opening to China, or if a nationalist like Mr. Abe Shinzo becomes Prime Minister, to try to

educate him so that it will be in Japan's long-term interests to restabilize Sino-Japanese relations. I have a parochial interest in the political outcome in this critical year in Japanese politics.

DR. SHAMBAUGH: Thank you, Mike, for that response. Even though it's not in your chapter, I can't really resist in asking you what you think American interests are with respect to this Sino-Japanese relationship and what if anything the United States might do to encourage an improvement in the relationship.

DR. MOCHIZUKI: First of all, one reason why you had this deterioration in Sino-Japanese relations was not just the power shift, but the nature of the power alignments. Because Sino-Japanese relations have been relatively good and U.S.-Japan relations have been stronger, there was very little strategic incentive on the part of either China or Japan to improve Sino-Japanese relations.

But having said that, I think in the United States up until very recently there was a feeling that the United States could benefit strategically from a certain degree of friction between Japan and China because then that would make Japan much more willing to be an active, more cooperative of the United States for a variety of things, whether it's North Korea, whether it's the war on terrorism, and even to constrain China. But my sense is that after the demonstrations last spring and then the latest visit by Prime Minister Koizumi to the Yasukuni shrine, there is some fear that the United States may become entrapped in a Sino-Japanese conflict perhaps over the East China Sea, and it may pose some opportunity costs for developing a much more stable regional order.

The big question then is: If there is indeed this shift in calculation, what can the United States do? Some people argue that President Bush should tell his friend Prime Minister Koizumi not to go to Yasukuni, and I think if that were revealed publicly, it could definitely backfire in Japan's current climate. But I think it is really important for American policy makers across the board to emphasize that stable Sino-Japanese relations in America's interests. Secondly, to encourage a dialogue between Japan and China on historical issues and on strategic issues.

DR. SHAMBAUGH: Thanks very much, and I'm sure like Sino-Indian relations we'll come back to this relationship, but in the interests of time, let me move on to Taiwan and to Richard, briefly, if I can.

Richard, your chapter in the book speaks of Taiwan's simultaneous attraction and repulsion to China. Can you elaborate a bit on each side of that equation and what you mean by the attraction side and what is the source of the repulsion?

DR. BUSH: The attraction is primarily economic. In the mid 1980s as labor costs on Taiwan were rising and as the United States strong-armed Taiwan into appreciating the new Taiwan dollar as we're now trying to urge China to appreciate the renminbi, the obvious place for Taiwan companies to relocate manufacturing operations and

remain competitive was China and they've been doing it ever since, and that has saved Taiwan companies.

But it's not just economic. It is also social and cultural. There are a variety of institutions on Taiwan that have developed relationships with counterparts in China, museums, temples, universities, philanthropic organizations, sports organizations, et cetera. There's a not trivial share of the Taiwan population that continue to see themselves as Chinese only and do not see themselves as Taiwanese, a separate sort of political or social ethnic category.

There have been periods in the last 20 years of so-called China fever on Taiwan where China becomes a great attraction. We've been in one of those in the last year where things Chinese become important. Pandas are the current source of attraction. China plays on that and would like to do more. That's the source of attraction.

The source of repulsion comes from a lot of different reasons. I think three are most important. One is identity, the second is security, and the third is the issue of sovereignty.

Identity, and here I mean the emergence of a Taiwanese identity, flows from the history of the Chinese Nationalist Party's rule in Taiwan from the time it arrived in 1945 until the late 1980s. This is a very interesting and complex story. What the Nationalist Party or the KMT tried to do was to turn the native Taiwanese population of the island into good Chinese people after 50 years of Japanese rule. For example, if you were a Taiwanese student in school, you were not allowed to speak the Taiwanese dialect which was what you learned at home. You had to speak Mandarin Chinese. You were punished if you were caught speaking Taiwanese.

[Tape change.]

DR. BUSH: [In progress] --Chinese identity took a variety of forms. It was coupled with an authoritarian political system. The impact was to create the very thing it was designed to eliminate, and that was a Taiwanese identity separate from a Chinese identity. The logic was, if the way we are being treated is what it means to be Chinese, we cannot be Chinese. We have to be something else. So people took on themselves the sense of being something else, being Taiwanese.

For some people this was being Taiwanese along with being Chinese and people got used to being both at the same time, and the share of being Taiwanese and being Chinese went up and down depending on circumstances. For other things, it was being Taiwanese alone. So you have a share of the Taiwanese population today who are Taiwanese only. For some Taiwanese, it went even further and the desire to be a separate country, a Republic of Taiwan, and that is a share of the population today. So that's the identity thing.



The security thing is simple, we touched on it in the other panel, that China is growing militarily stronger. This military modernization that has been going on for a couple of decades has in the last decade gained a focus, it's a Taiwan focus. One can look at the capabilities that the Chinese military is acquiring and attribute a Taiwan mission to most of them. It is very serious and it is gaining speed because it has a focus, and Taiwan should be concerned about it.

The third is sovereignty and here we come to China's model of unification. That model is one country, two systems. That's a model of home rule. A high degree of autonomy is what Beijing says. Taiwan on the other hand, whether it's a--government or a DPP government, believes that Taiwan and their government possesses sovereignty and that is quite inconsistent with one country, two systems, and it's on that basis that Taiwan has rejected one country, two systems out of hand. This fundamental disagreement manifests itself in a variety of ways, and for these three reasons. There has been a repulsion to China of different degrees among different parts of the population, and it creates quite a tension within the Taiwan population.

DR. SHAMBAUGH: Thank you. I was thinking as I was listening to you that the relationship between economics and politics in this cross-strait relationship as well as in the Sino-Japanese relationship is very interesting. A question that I'd like to pose to both you and Mike is that interrelationship. In the Taiwan case, at what point does the economic interdependence bleed over into and shape the political relationship? And maybe put too starkly in the Sino-Japanese case, does the deterioration of political ties bleed over into the economic side? I'd be curious, maybe I'll start with Taiwan, on how you see this dynamic evolving.

DR. BUSH: It really dominates in a number of ways the politics of Taiwan. Because the Taiwan companies want the freest economic interaction between Taiwan and the Mainland, because any obstacle to that interaction costs money, the issue that has dominated the economic policy debate is something called the three links, and particularly transportation links. Is it permissible to fly directly from Taipei to Shanghai, Taipei to Guangzhou, Taipei to Beijing? Currently it is not. If you're a businessman you have to fly from Taipei to Hong Kong, touch down in Hong Kong and fly to some place else in China. I've experienced it myself. It's a pain. It's a real pain. And therefore, the business community wants that liberation and there are complicated reasons, mainly why it has been difficult or impossible for the two sides to talk about proceeding with direct transportation links that go back to this sovereignty question. Beijing does not want to acknowledge and speak to Taiwan as a sovereign entity, Taiwan insists that this should be discussed with Taiwan as a sovereign entity. So the whole thing is stalemated.

DR. SHAMBAUGH: Just briefly, Chen Shui-bian gave a speech a couple of weeks ago I guess that speaks to this issue and about the endangerment of entrapment dependency.

DR. BUSH: Yes. This is another thing, another issue of liberalization. The business community wants to liberalization on investment and there are elements in Taiwan who see extensive liberalization as endangering Taiwan, hollowing out and so on. In his speech, President Chen positioned himself at least for now with those who fear hollowing out.

DR. SHAMBAUGH: Mike, what about in the Sino-Japanese case? Can we have this hot economics, cold politics paradigm proceed indefinitely?

DR. MOCHIZUKI: It really is interesting. This is kind of a new version of the separation of politics and economics. What is striking so far is that Japan and China have not paid much of an economic price for the deterioration in political relations, and I think that's one of the reasons why at least in Japan the business community has been relatively reticent in trying to shift the diplomatic policy of Prime Minister Koizumi.

But I think the demonstrations in April suggested real dangers. There are a lot of investments by Japanese companies in factors owned and managed by the Japanese, and if there is further deterioration, then not just the economic prospects, but the security of Japanese businesses in China will be jeopardized. So that's why I feel that quietly among commercial elites in Japan there has been an effort to lay the groundwork for a recalibration of China policy.

At the same time, I've noticed in my recent trip to Japan that government officials and business leaders are also engaging in an economic hedge or thinking about an economic hedge; rather than putting so many of the economic eggs in the Chinese basket, to go back to Southeast Asia and then also to move into India. But they do recognize that China and the Chinese market is so important to Japan's economic recovery that I think you're beginning to see the makings of a shift. Whether or not it will lead to it is an open question.

DR. SHAMBAUGH: Thank you all very much for getting us started. I have a number of further questions I could ask of all of you, but in the interest of giving our audience 15 minutes before we have to adjourn at 4 o'clock a chance to ask some questions, too. Let me, first of all, encourage the audience to read these chapters because they're much more nuanced and detailed than we've had the time to explore here.

With the same ground rules as in the first session, please try and keep your questions focused, even though you haven't read the book, on the subjects we've been discussing rather than the most recent issues in today's newspaper, we would be grateful. And if you could begin by identifying yourself and direct your question to one or more of the panelists, we'd also be grateful. If I see any hands, we can commence.

MS. MANSING: Surjit Mansingh, American University, to John Garver. You made some comments as to why India accepted the Chinese rationale of friendship with all countries of the Subcontinent. Couldn't one be, or two reasons, one reason that in fact

China considerably modified its stand on Kashmir and came around to the Indian view rather than the Pakistani view? The other is that not even the United States could effect nuclear proliferation in China and Pakistan, how could India do it? But as you know, you and I disagree on this either/or business. So I wonder what credence you place on my views that it can be both and rather than either/or?

DR. GARVER: I wouldn't disagree with either of the points you make. Clearly, China's switch on the Kashmir question was just what you suggest, from endorsement of the Kashmiri people's right to self-determination in accordance with the United Nations resolutions of 1948, it changed from that circa 1980 to endorsement of this is a question that has to be settled by discussions between the two sides which was essentially India's position.

That's true. That to my mind was not as critical as China's continuing assistance to Pakistan's military development, ballistic missile programs, development of a new generation of jet aircraft, things like this. It was a concession but it wasn't nearly as far as India would have desired. In terms of proliferation, I think you're right. I think my reading of the situation is that in fact India would have liked the United States to go much further than it did in pressuring China to draw back from Pakistan, but presented by a *fait accompli*, India could either say you're not disengaging from nuclear cooperation with Pakistan, and China has to this date refused to do that. They've disengaged from a Pakistani nuclear programs which was not supervised by the IAEA, but programs which are under the IAEA they've insisted on this even though they acceded to the American demands regarding Iran.

Confronted by this *fait accompli*, this situation, the way I look at it is that India said what the heck, we need improved relations with China even though they won't accede to our demands, after all, something the Americans couldn't achieve, and if the Americans couldn't, how can we, to move forward?

As a student of Chinese foreign relations, I juxtapose that to China's insistence on its satisfaction of the three obstacles in relations with the Soviet Union during the 1980s: Afghanistan, Kampuchea, Soviet forces in China's northern border, Soviet governments for 15 years said, no, we can't do that, and finally Mikhail Gorbachev said we can do it. It was then that Sino-Soviet rapprochement moved forward.

In dealing with the Soviet Union and digging in its heels with the Soviet Union, China had a sense of strength. It felt what it was dealing with the Soviet Union from a position of strength, where my sense of India dealing with China was precisely that it was dealing with China from a position of weakness and, therefore, had to accept what China said, had to accept the terms that China offered which was we're going to continue doing with Pakistan what we think is right, although Surjit, I think you're absolutely right, they did make some concessions to India.

QUESTION: I'm from the History Department of Georgetown University. My question is for John. I was wondering whether [inaudible] issue affect China-U.S. relations or even relations with India.

DR. GARVER: More likely Pakistan. Internal security concerns regarding [inaudible] is a serious Chinese concern. There was the blow-back from the Afghan operation which China fully supported. There was the rise of the Islamic movement in Uzbekistan in Central Asia in the post-Soviet period, and the Chinese worked with the Russians in the Central Asian countries to contain that. You're right, internal security in Xinjiang is a major concern. In terms of how that has played in the United States, the Chinese have pushed us to go a lot further than we are willing to go. We've gone some distance in declaring the East Turkistan Movement a terrorist organization, but the Chinese--on the other hand we haven't entirely given the Chinese carte blanche to do what they want.

Pakistan is actually more interesting I think because along the Sino-Pakistan Friendship Highway, the Karakoram Highway, there's a lot of truck traffic and a lot of stuff goes in those trucks besides cargo, dope, Islamic literature, explosives, guns, and the Chinese work with their friends in Pakistan to try to control that. So that is one reason why that relationship with Pakistan is important to Beijing, because if China has good friends in the Islamic community like Pakistan certainly is, that helps them manage the internal security problem in Xinjiang.

MR. JONES: Bill Jones from Executive Intelligence Review. I'd like to ask about the economic relationship between China and India, because prior to the rapprochement, of course, whenever you talked about Indian-Chinese economic cooperation, people would tell you the economies were actually looking for the same thing, we're not complementary, there's not going to be a lot of trade. Both, of course, are developing economies, they're both seeking foreign direct investment, in one sense they're competitors. But as the economies develop, as they begin to develop their own, for instance, machine tool industry and become developed economies, one would think that the division of labor would be much more diverse and there would be more cooperation and that with the development of the transportation links that you mentioned, this also becomes a transport grid going from the Atlantic to the Pacific so that the lines of trade tend to move more internally rather than by sea and that India and China are in the center of this thing.

I was wondering now that the political situation has gotten better, they have talked about complementarity in one sense in terms of the computer industry, the hardware, of China's software of India combined to make that biggest computer company in the world. How does it look otherwise in terms of the trade picture because it seems to me that that really solidifies a relationship in a way that nothing else does, is the economic cooperation.

DR. GARVER: Sort of like the Sino-Japanese relationship. I think you're right. Sino-Indian trade has expanded far more rapidly than mainstream wisdom would have held. Mainstream wisdom 15 years ago, 10 years ago, was that they were

fundamentally competitors and there wasn't much room for expansion, and I think that the growth of Sino-Indian trade over the last five or so years has substantially rebutted that.

In part that's I think due to China's voracious demand for raw materials. India produces a lot of the stuff that China needs, basic chemicals, steel, basic construction materials. India invests a lot of money in that in producing that under its development plans and there's huge demand for that in China. That's part of it. But I don't think it's all rosy sailing. In terms of FDI, China investment in India, in fact, there's been a lot of concern by Indian security organs, and Surjit you could probably address this better than I could, I'm sure you could, but there's been a lot of concern by Indian security organs about Chinese industrial espionage or maybe penetration for military purposes and so forth. The Chinese government has actually complained to the Indian government you say you're willing to move forward with economic cooperation, but when our businessmen come to India to invest, you throw up all these barriers and that hasn't worked.

In the transportation area, this is very interesting. For there to be a robust transportation corridor between China and India, you're not going to go over the Himalayan Mountains, you're not going to go over Tibet, you're going to come down through Burma, through Myanmar. That's the logic of geography. To get from Myanmar where China has very good transportation links over to India you're going to need to go through Bangladesh, and Bangladesh isn't willing to give transit rights. Bangladesh is willing to give transit rights to China but not to India, and China has actually pressured Bangladesh to be more forthcoming on these transit issues to try to develop a region-wide transportation net in that region so that Chinese goods could go from Kunming down through Mandalay, over through Imphal, through Bangladesh to Calcutta. Again, it's suspicions of Indian aspirations, Indian hegemony, that's led to blocking that.

Bottom line, I think the jury is still out. I think you're right that the developments have disproved the conventional wisdom of 10 years ago over whether these are going to be fundamentally competitive or fundamentally complementary economies in the long run. It's still too early to say.

DR. SHAMBAUGH: We have time for one, maybe two, depending on lengthy answers, more questions.

QUESTION: My question is for Dr. Mochizuki. Considering the Sino-Japanese relationship, I also write analysis for some Chinese experts on the bilateral relationship. They would say the Chinese government is also trying very hard to put down the anti-Japanese back in China and also they are trying very hard to stabilize the economic relations between the two countries. The reason is simple, because they have a big stake there like an economic relationship with Japan.

I think both governments have a big stake there in their relationship. So what are the blocking questions between the two countries blocking the relationship to get

along, to move ahead? Or what kind of recommendations do you have to give them to repair their bad relationship?

DR. MOCHIZUKI: There are a lot of competitive or even conflicting interests, whether it's regarding the resource issues in the seabed in the East China Sea or concerns about each other's security-military intentions. But I think the number one issue that has been blocking a dialogue and possible improvement in Sino-Japanese relations is the visits by Prime Minister Koizumi to the Yasukuni shrine. I think from about spring 1999 after the negative readout of the summit between Jiang Zemin and Prime Minister Obuchi, the Chinese leadership wanted to shift tactics and became I think much more accommodative to Japanese irritation, but unfortunately there was very little reciprocity from Japan. Then we moved from Obuchi to Mori and Koizumi, and so you've had at least 5 to 6 years of leadership in Japan that really has not reached out to China, and the Yasukuni shrine issue I think is the major one.

So my recommendation would be to at least cool the Yasukuni issue by refraining from further visits and looking for a way of finessing this, whether it's an alternative memorial or removing the enshrinement of the Class A war criminals. Both of those will be politically extremely difficult, impossible under the Koizumi government, but I hope that movement could happen after Koizumi. When that happens, the Chinese have to then reciprocate in a positive matter, and then I think you will see a very different trajectory.

DR. SHAMBAUGH: I'm going to close the session and apologies to others who had questions, but we've reached just about 4 o'clock. Let me ask one last question of Richard. In his chapter contrasting attraction and repulsion, look into your crystal ball, Richard, which one do you think will win out in the cross-strait relationship, attraction or repulsion?

DR. BUSH: I think it depends a lot on what China does. I think for the next few years the situation is going to be stable because of the current political dynamics in Taiwan. I don't think that anything will happen that will challenge China's fundamental interests, and then we'll have the election in 2008 and we'll see what happens then.

I think that the economic integration between the two sides of the Strait will continue, but I think that the consensus within Taiwan about the sovereignty of the place is quite broad. It's shared by the DPP and the KNT and everybody else. So if attraction is going to win out, China has got to give on that, and that's a big deal because I think goes to the legitimacy of the Chinese Communist Party and the nature of the China state and whether China is going to be vested in one center or whether you're going to have a dual-sovereignty system of some sort within China, and that's a big deal.

DR. SHAMBAUGH: A big deal, and the subject for another book I think.

DR. BUSH: Yes. Or at least another session.

DR. SHAMBAUGH: Let me thank all three of my colleagues for their time and their succinct presentations today and their contributions to the volume. Thank all of you for coming today. I hope you enjoy reading the book, and we have to adjourn now but I'm sure if you have extra questions you can come up and we'd be happy to try and respond to them. Thank you.

[Applause.]

[END OF TAPED RECORDING.]

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