

# A RESURGENT CHINA: RESPONSIBLE STAKEHOLDER OR ROBUST RIVAL?

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## **A RESURGENT CHINA: RESPONSIBLE STAKEHOLDER OR ROBUST RIVAL?**

**WEDNESDAY, MAY 10, 2006**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:10 a.m. in room 2172, Rayburn House Office Building, Hon. Henry J. Hyde (Chairman of the Committee) presiding.

Chairman HYDE. This meeting will come to order. Deputy Secretary Zoellick, we are pleased to have you here today. You are well known as a leading architect of the Administration's China policy, and your extensive knowledge of trade policy is also germane to our hearing.

Many in Washington have been discussing the policy implications of a "rising" China. I see this phrase as a misnomer, and prefer the word "resurgent." "Rising" implies that China is emerging for the first time on the world stage. However, an exhibit held 2 years ago at Chicago's Field Museum, titled "Treasures of the Forbidden City," pointed out that while our Founding Fathers were waging their struggle for independence in 1776, China was already not only the most populous, but the wealthiest nation in the world.

From this apex of cultural, political, and economic influence, China plunged rapidly into two centuries of chaos involving war, famine, and revolution.

Now as this new century dawns, China has reemerged into its traditional position of influence in Asia and the world. The Chinese people, while still suffering a sense of victimization from the periods of unequal treaties, the Opium War, the Nanjing Massacre, the Cultural Revolution, and the Tiananmen Massacre, look now to a new age. The Summer Olympics of 2008 is their symbol of this national reemergence from a dark cocoon of decline and isolation into the light of international recognition.

Yet we can't gloss over the many issues that continue to divide us from the leadership in Beijing. You, Mr. Zoellick, are famous for having coined the phrase "responsible stakeholder" last year with regard to American hopes for this resurgent China. Many in the Congress, however, retain a healthy skepticism as to whether this is possible. Some even fear that China instead will emerge as a robust rival.

Will Beijing assume the role of a responsible stakeholder when Iran's increasing nuclear recklessness requires the imposition of economic sanctions by Security Council permanent members, including China? Will Beijing put aside its quest for energy in Sudan

to join the international campaign to stop the genocide in Darfur? Will China move beyond playing host at the ongoing meeting of the Six-Party Talks to put economic pressure on Pem Huang, its longtime ally? Will it ensure that North Korea makes a real commitment to end its nuclear program, to desist from counterfeiting American currency, to stop persecuting its own citizens, and to stop kidnapping citizens of its neighbors, including one with relatives in the State of Illinois? Will China suspend its missile buildup across from Taiwan as a confidence-building measure?

I fear the answer to all the above is no. Yet while China marches with increasing confidence onto the stage of the 21st century, America's attention is diverted. We have focused most of our military strength and spent much of our national treasure on the prolonged conflict with radical Islam. We all understand the implications of September 11 and what they require.

My concern, however, is that in a few decades younger Americans will awaken, like a tired Richard the Lion-Heart returning from the battle for Jerusalem, to find themselves threatened on the home front as debtors at the mercy of creditors in Beijing.

The President mentioned in his State of the Union Address that America is addicted to oil. I would add that America is also addicted to the label, "Made in China." We now have a negative savings rate for the first time since the height of the Great Depression. That was a time when, as I recall, jobless people lined up at soup kitchens.

Last year our trade deficit with China was a record: Over \$200 billion transferred across the Pacific to pay for our national buying binge. This level of trade imbalance does not seem sustainable year after year without ultimately impoverishing our children. Yet according to reports, no concrete measures to address this critical trade issue came out of the recent White House meeting between President Bush and the Chinese President.

Well, if there is no action soon to alleviate this trade crisis, Congress will have to act. While we are distracted, Beijing is using a siren song of moderation to further isolate Taiwan.

Beijing is also playing the history card to great effect with South Korea. As a World War II veteran, I am well aware of the history of the Pacific War, and know that the truth will prevail. But Beijing should remember that people who live in glass houses should not throw stones. I am concerned that as a result, the ripe apple of South Korea could soon fall into the lap of China.

I fear that a future American generation may awaken from its Pacific slumber to find our influence removed entirely from the Asian mainland. Then a politically-unreformed and assertive China could be calling the shots in the most vibrant economic region of the world.

I paint a bleak, but hardly implausible, picture. I would like to end on a more positive note.

Last month I met the new Pope, Benedict XVI, in Rome. The Holy Father's prayerful intention for the month of April was "that the Church in China may carry out its evangelizing mission serenely and in full freedom." It is certainly the sincere wish of us all that China will have a new dawn, where human rights and religious freedom are fully respected.

Mr. Zoellick, we welcome your comments on how China can re-emerge as a responsible stakeholder, and not as a robust rival of America and its values.

I now recognize my friend, Mr. Lantos, the Ranking Democratic Member, for any remarks he may wish to make.

Mr. LANTOS. Thank you very much, Mr. Chairman. Let me first commend you for a very thoughtful and substantive opening statement.

And before saying a few words about China, let me congratulate our distinguished witness, Deputy Secretary Zoellick, for his extraordinary work on Darfur. You have done extraordinary work with great personal commitment over a protracted period of time, Secretary Zoellick, and we are all in your debt.

Mr. Chairman, the debate in Washington foreign policy circles as to whether China is a "responsible stakeholder" or a rising challenge presents a false dichotomy. Nearly three decades after we normalized relations, it is self-evident that China is both.

Beijing and Washington have a mature, evolving relationship with areas of both conflict and cooperation. But even if our interconnectedness is assured, Mr. Chairman, decisions made in Beijing over the next few months will determine the tenure of our bilateral ties for years to come.

In fact, China's handling of a new Security Council resolution on Iran could well become the sine qua non of United States-China relations, and an indication of Beijing's willingness to be a responsible stakeholder.

China must support a strong, tough resolution demanding that Iran verifiably eliminate its nuclear weapons program. If it supports such a resolution, this will send a clear signal that Beijing recognizes that with global power and prestige comes global responsibility. If it is unwilling to tackle squarely the Ayatollah's nuclear aspirations, this decision will severely damage United States-China relations.

The North Korean nuclear issue will also determine whether President Hu receives an official state visit the next time he comes to Washington, or another downgraded official lunch.

China has hosted the Six-Party Talks, and is willing to use some of its economic leverage to force Pem Huang to the table. Both of these are good signs.

On my two visits to North Korea last year I stopped in Beijing for consultations with senior Chinese leaders. In many respects the United States and China see the North Korea situation in a very similar light. We both seek a non-nuclear Korean peninsula, and are frustrated with the endless prevarications emanating from Pem Huang. But good intentions and shared goals are not enough.

Now that the Six-Party Talks are stalled, this is Beijing's moment to demonstrate that it is an international leader. The flow of non-humanitarian trade and assistance from China to North Korean must end until Pem Huang returns to the bargaining table, ready to give up its nuclear program in exchange for international recognition and assistance.

Cost rate relations will be another key factor in the United States-China relationship. The United States, under both Democratic and Republican Administrations, has done its part to pro-

mote peace by publicly and privately discouraging Taiwan from taking provocative steps toward independence.

But the PRC has done little to promote stability. The alarming buildup of missiles into Taiwan and the enactment of the so-called anti-secession law have dramatically heightened tensions between Taipei and Beijing.

China's new generation of leaders should use their creative energies to build bridges to Taiwan's democratically-elected government. They should not resort to schoolyard bullying tactics.

Finally, Mr. Chairman, we will never have a fully normal relationship with China until there is measurable progress on human rights and religious freedom. Tibet is the perfect example of how Beijing could demonstrate its new role as a responsible stakeholder.

We are pleased that China has held five rounds of discussions with representatives of His Holiness, the Dalai Lama, regarding the future of Tibet. But our patience is wearing thin. The talks have not produced concrete progress, but only more talks.

Beijing should invite the Dalai Lama to visit China and Tibet in the near future. They should also negotiate a deal which preserves Tibet's unique cultural and religious heritage, while maintaining China's territorial integrity.

Religious freedom is a right to all Chinese, whether Tibetan, members of the Catholic Church, or the Falun Gong spiritual movement. Just last week the Chinese Government appointed two Catholic bishops without Vatican approval. The last time I looked, Mr. Chairman, it was the job of Pope Benedict XVI to select bishops, not Communist atheists in the politburo in Beijing.

The rights of Falun Gong adherents in China have similarly been denied. Tens of thousands have been locked away in psychiatric institutions, tortured and jailed, and even killed for refusing to denounce their faith. What a tragedy, Mr. Chairman.

It is even more unconscionable that some American companies would be willing participants in the systematic denial of human rights in China, but that is exactly the decision made by Google, Microsoft, and Yahoo!. The executives of these high-tech companies, by turning themselves into Internet censors and e-mail police, have truly lost their moral compass.

Mr. Chairman, thank you for calling today's hearing, giving us all an opportunity to reflect on the United States-China relationship. It need not polarize the foreign policy establishment, for it is too complex to have only one dimension, as our witness today knows very well.

Secretary Bob Zoellick has earned all of our gratitude for his indefatigable efforts to negotiate the Darfur peace agreement, and we look forward to hearing his views on China. Thank you, Mr. Chairman.

Chairman HYDE. Thank you. The Chair will entertain very brief 1-minute opening statements from the Members, but we wish to get to the witness as quickly as possible and maximize the use of his time.

So if I could have the list. Mr. Leach. He yields.

Mr. Smith of New Jersey.



Mr. SMITH OF NEW JERSEY. Thank you, Mr. Chairman. Mr. Secretary, first of all, thank you for the extraordinary work you did to help broker the Darfur Peace Accord. Your personal interventions, your tenacity, your attention to detail, your focus, was crucial. And I truly believe without it, the hope of peace and reconciliation would have remained elusive.

Of course, as you have said just a moment ago, prudent follow-up and aggressive follow-up is critical. But I have no doubt that you and the President are certainly up to that task. But thank you for the work that you did.

On the PRC, it is time, I believe, for both Congress and the Executive Branch to significantly ratchet up our profound concerns over China's horrific human rights record. Yesterday, not surprisingly but still shockingly, China was elected to the Human Rights Council, where it will continue what it has done so effectively for so long in the discredited Human Rights Commission: Run interference and suppress any meaningful scrutiny of its abysmal record.

As you know, prior to President Hu Jintao's visit, I chaired a hearing on China's human rights record. And our witnesses, including three survivors of the Laogai—Harry Wu, for example, who spent 19 years in the concentration camps—gave chilling testimony on the pervasive use of coercive population control and the issue of gendercide. There are 100 million missing girls in China as a result of coercive population control, the use of genocide against the Uighurs and the Tibetans as part of their family planning program, the systematic use of torture, religious persecution, and the suppression of workers' rights—

Chairman HYDE. The gentleman's time has expired.

Mr. SMITH OF NEW JERSEY. Thank you.

Chairman HYDE. Ms. Lee of California.

Ms. LEE. Thank you, Mr. Chairman. I want to thank you and our Ranking Member for this very important hearing. And I want to thank you, Deputy Secretary, for being here.

Like all of my colleagues, I am concerned with a number of issues regarding United States-China relationship. And some include, of course, our exploding trade deficit with China, which now stands at over \$205 billion, and, again, China's human rights record.

Additionally, I am also disturbed by our policy that engages China on one hand, yet embargoes Cuba on the other. So I would like to get your perspective with regard to this, what I consider very inconsistent, policy. And hopefully you will shed some light on that.

Finally, let me just say I, too, want to congratulate you, and thank you for your very diligent and committed and hard work on Darfur. I would like to hear from you what you think China's position has been with regard to the ongoing genocide, and, in fact, what their perspective is and their position is regarding the slaughter of hundreds of thousands of people. And I know you have some insight into that, and I would like to hear from you on that.

Thank you again, Mr. Chairman.

Chairman HYDE. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. First of all, let me associate myself with the remarks of Chairman Hyde,

and of course Mr. Lantos, who is a great spokesman, as well as with Chris Smith on human rights.

As we go through this hearing today, let us note the Chinese people are freedom's greatest potential ally, and America's greatest potential ally. So no matter what we say about Communist China, we are not referring to the Chinese people. We recognize they are our allies. It is the Chinese Government that is the worst human rights abuser in the world, and hopefully we will be talking about their status as a rogue state, providing nuclear weapons materiel to Pakistan, to North Korea, and to others, in a way that threatens world peace.

So what I also would like from the Administration, that I hope that you might address, I am very concerned when I hear the Administration is now asking the Director of NASA to go to China to talk about cooperation in space efforts. The last time we did that with this particular government, we had a transfer of technology that has put America in jeopardy. And we see Chinese rockets and missiles now with American technology components.

So we should not be treating a government with a human rights record of that of China the same as we would treat a democratic country.

Chairman HYDE. The time of the gentleman has elapsed.

Mr. ROHRABACHER. That is it. Thank you.

Chairman HYDE. Thank you.

Ms. BERKLEY. Thank you, Mr. Chairman. And thank you for holding this important meeting, and thank you for being here.

I have a hearing at 11 o'clock, so I am anxious to hear what you have to say. But I am hoping that you will incorporate in your comments to us information regarding the World Health Organization (WHO), and what the United States plans to do to help Taiwan obtain observer status in the WHO.

The second issue that I am particularly concerned about is, I would appreciate if you could tell me what the United States is doing to discourage our European allies from lifting the arms sales embargo to the PRC.

And finally, given the fact that the Chinese National People's Congress passed the anti-secession law last year, and that, according to our Department of Defense, there are over 700 short-range missiles aimed at Taiwan from China, in light of the Chinese continued military buildup against Taiwan, what has the Administration done to urge the Chinese not to change the status quo unilaterally?

And I will look forward to all of your comments as soon as you are allowed to begin. Thank you very much for being here.

Chairman HYDE. Mr. Tancredo.

Mr. TANCREDO. Thank you, Mr. Chairman. Mr. Secretary, welcome. I just want to make sure that in either your comments or in the questions, we do get to the points specifically raised, or a couple anyway, raised by Ms. Berkley in terms of our relationship with Taiwan. I want to make sure that the policy of "responsible stakeholder," as I think you have identified it, does not include a change in our policy, vis-a-vis Taiwan. That seems to be happening, seems to be occurring, as evidenced most recently by the humiliating treatment of President Chen when he was not allowed

to lay over in the United States, except at the very end when he was allowed to refuel in Alaska or Hawaii, but was not allowed to leave the plane.

I mean, there has got to be an explanation for this. I am looking forward to hearing it. Thank you.

Chairman HYDE. Mr. Berman. Mr. Royce.

Mr. ROYCE. Thank you. Mr. Secretary, you and I worked together on promoting trade with Africa, and the African Growth and Opportunity Act has been a success. But Africa needs all the attention it can get right now, and I appreciate what you are doing and your involvement in the Sudan issue.

I would just raise the point that many of us are becoming increasingly concerned about China's role in Africa, about China's role of support for the Sudanese Government that has worked in concert with the Janjaweed, China's role in the past selling a million machetes to the Hutu militia that were involved in the genocide in Rwanda. China's role also in backing Robert Mugabe, who is liquidating his country.

I just don't see any Chinese commitment to human rights, to the rule of law, and all the other positive things we are trying to encourage through the Africa Trade Bill, when Beijing is dealing with Africa.

And so I think the critical issue is that Africa is in the balance. I would like to know if the Administration thinks China, on balance, is a positive or negative on-the-ground influence in Africa. And I would like to know if you think we need a greater diplomatic presence in Africa, given this Chinese push.

Thank you, Mr. Secretary.

Chairman HYDE. Mr. Paul.

Mr. PAUL. I yield back.

Chairman HYDE. Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman. And Ambassador, thank you for being here. My association and appreciation for the people of China; my dad served in China during World War II with the Flying Tigers. And he told me of how wonderful the Chinese people are. And so I am very hopeful.

In fact, I visited China for the 60th anniversary of VJ Day, and I saw the great opportunities. I have been there several times, and I believe that we have more in common than differences.

But I also believe that a stable Taiwan is to the benefit of the People's Republic; a stable People's Republic is to the benefit of Taiwan. And so I am really looking forward to your efforts to build a better relationship between the United States and China.

Thank you.

Chairman HYDE. Thank you. We have no further speakers, so let me welcome Secretary Zoellick.

And let me just say by background, Secretary Zoellick holds degrees from Swarthmore College and several from Harvard University. I personally believe the Secretary symbolizes the bringing of good legal thinking to the Department of State, and that is very much respected.

I think it is possible that you will be known for a picture more than words, however. And you are forgiven for loving pandas, if

that is the picture of your life, with this panda, that has now gone around the world.

In any regard, I think also on behalf of the Committee, we must express our appreciation for your work on Darfur, especially in recent weeks.

Secretary Zoellick, the platform is yours.

**STATEMENT OF THE HONORABLE ROBERT B. ZOELLICK,  
DEPUTY SECRETARY OF STATE, U.S. DEPARTMENT OF STATE**

Mr. ZOELLICK. Thank you very much, Mr. Chairman, Mr. Lantos, Members of the Committee. And I very much appreciate your kind words, particularly about the work of the team we had in Abuja, Nigeria, dealing with Darfur. I will make sure I relay them to that hearty group.

And as a number of you mentioned, this is an opportunity for peace and hope, but there is a lot of work to do, and we are going to have to do that in close concert with the Congress. Whether it is getting food, whether it is the money for the African Union forces, helping out with the UN mission, and a number of other aspects. So I am sure we will have a chance to work closely on these items as I know we have discussed.

I prepared a PowerPoint which I thought might be a little more user-friendly to go through. And as a number of you mentioned, China is a country where you have such tremendous change taking place in a relatively short period of time. So the first page is just to give you some set of the context.

First, the accomplishments. Per capita, GDP grew in China from 1979—well, I first had a chance to visit in 1980—from \$275 to now \$1,700. That is an average annual growth of 9.6% a year.

The GDP of the country is now \$2.26 trillion. That is the fourth-largest economy in the world. The proportion of Chinese in poverty fell from 53% to just 8% over the course of 20 years. Total trade rose, from 1980, \$38 billion to now \$1.4 trillion, making it the world's third-largest trading nation.

In 2004 the total stock of foreign direct investment in China stood at about \$250 billion, and the Chinese estimates are even higher. And Internet users, I know an interest of Mr. Smith and others, a key issue, are 111 million, 8.5% of the population.

But at the same time you have got huge challenges that are inter-connected with these accomplishments. The population is expected to grow about 8% between 2010 and 2025. Half of China's 1.3 billion people live on 8.2% of its land mass; that is about the size of Texas, so that is about having 650 million people in Texas, the size of Texas.

Only 13% of China's land is arable. You have a rising disparity, particularly between the coastal areas and the interior.

Even though progress has been made, you still have 160 million people living in poverty; that is less than \$1.00 a day. You have 150 million rural migrants, most under 30, working in cities. The banking sector is about 25% to 30% non-performing loans, most of the decrepit state enterprises. Seven of the world's 10 most polluted cities are in China. There are great estimates for Chinese energy growth. And underneath all of this is a corruption that is very

dangerous because it undermines the legitimacy of the government. China ranks 78th in Transparency International's global survey.

Now, as a number of you mentioned, United States-China relations really have to operate at at least two levels. At the one hand you have China at a historic process of transition. It is not outside the international system. Quite to the contrary; it is a rising influence within it. It is not isolated from globalization; its whole development strategy is linked to it. And it is no longer promoting Communist revolution and ideological struggle; its focus is to pursue its interest in a very calculated way: With economic growth, political and military strength, and interstate relations.

So this is a different situation than the Soviet Union. In fact, the policy of China tends to be one of non-interference, which actually goes to some of the tensions that a number of you raise, whether it be Africa or Iran or others.

So United States-China relations have to recognize we have got these two inter-connected levels. One, we are both global powers, and we have an agenda globally. We have some shared security and economic interests, but also there are tensions, because China is a growing global footprint.

There are areas where we both have transnational threats to deal with: Disease, terrorism, environmental degradation. And one question, and the challenge is, If you could imagine any problem in the world, is it easier or harder to imagine dealing with that if you have China working with you as opposed to working against you?

So we have to manage our disagreements while focusing on shared interests.

We both also have domestic considerations that are very important here. We have concerns on both sides about economics in trade and access to markets. As almost all of you mentioned, the United States has a very strong view about human rights, political reform, individual freedom, including religious freedom. And the United States-China, therefore, are more interdependent, but we have got uncertainty and concerns about the future.

Seeing Mr. Tancredo here, one of the other issues we deal with is, China is one of a large source of illegal immigrants. And so one of the things that Mr. Chertoff was doing is working to make sure he can return about 40,000 illegal Chinese immigrants. It gives you a sense of the inter-connections.

So as a number of you mentioned, and I think Mr. Lantos focused exactly right, the policy goal is to try to have China be a responsible stakeholder. And the challenge of this agenda is to try to set up the items that would demonstrate that it is being such.

Now, let me give you a little bit of the context of this idea that I outlined in a speech in September. As a number of you have mentioned, over the course of some seven Administrations over about 30 years, the goal of United States policy has been to integrate China into the international system.

But if you step back and you look at currency markets, capital markets, clothing, commodities, counterfeiting, you have to say China is integrated. There is not a part of the world market that China doesn't affect. It is now a part of the WTO, it is part of the

UN Security Council, a series of other structures, including ones with nonproliferation, where we have got some serious work to do.

But it prompts the question: Integration to what end? What is the purpose of this integration? How will China use this new influence?

It is not just a question of membership in the international system, but how does it exercise responsibility and a shared stake in this international system?

A number of you and Chairman Hyde actually started out with this point, many of you know who spent time in China, as Mr. Wilson mentioned, there is a very strong sense of history in China. And so if you look just at a short time span from their perspective—say, the last 200 years—you would see that it has been a pretty tough period.

They have gone to the end of a dynasty, they have gone to a civil war, then World War II, which for the Chinese started in the early 1930s. Then you had the revolution, Mao, with all the killings related to those policies, the Cultural Revolution.

In the 20th century, the only good period was the last 20 years in terms of growth and development. And those were years that were developed under the international system that the United States helped create and sustain after World War II. So the point here is to get the Chinese to recognize that it has a benefit in strengthening and perpetuating this system.

So this notion of a responsible stakeholder is a broader notion of national interest. Like the United States, like the European Union, Japan, and others, a more influential China has a greater capacity than most to try to help a peaceful, prosperous, more open international system.

So United States-China relations are not just a question of bilateral discussions. We want China to see its own interest in working with the United States and others to deal with this set of issues. So some of the questions are: How will the United States and China deal with the region and the world?

Now, quite coincidentally, this has led to an active debate, and I think a very useful debate, in China. I wish I had said I thought of this, but it worked out fine. Since the word “stakeholder” had no easy translation in the Chinese, there ended up a whole literature to say, “Well, what do they mean by this concept?” And that actually helps create a debate in China which we want to try to encourage.

And what I have emphasized to the Chinese, and it is a point a number of you said, is the Chinese have talked about peaceful rise, peaceful development. Well, we encourage this, but they need to recognize that no country is going to bet their future on it. And that is where Chinese policy, Chinese transparency, Chinese action on human rights will be critically important. And I couldn’t agree more with Mr. Lantos’ point. Exhibit A will be: How does China react with dealing with Iran?

Now, let me move to slide five and just give you a brief sense of China’s perspective, both internally and externally.

Internationally China asserts that it is committed to a process of peaceful development. And above all, what that means is, it wants

to have a benign external environment because it has got so many challenges still on the inside.

So it sees its international strategy as trying to support domestic political stability in the continued economic modernization. Keep in mind, if you are Wen Jiabao, the Premier, and you wake up in the morning and you have got 150 million people, half the size of the United States, moving between rural and urban areas, and you are not sure where they are going to spend the night, where you still have another 200 million people living in poverty, those are big challenges. And they want a benign external environment as they deal with it.

So they don't want China's rise to cause anxiety. They emphasize they don't want to overthrow the international system, as the Soviets did. But this is very important. As they grow more influential, they do want respect and acceptance of their larger role in the world.

So the leadership is cautious. It has concerns for its own vulnerabilities, instability, and unrest. And one thing I think it is always useful to keep in mind, right now China's political legitimacy is not based on democracy, and it is not based on an ideology of Communism. It is based on economic performance and nationalism. And that has some fragility, which you see in some of the actions.

Much of the population is still poor. As President Hu told President Bush, they need to create 12–14 million jobs a year to deal with people coming into the work force, the downsizing of uncompetitive state firms, and the rural migrants.

According to Chinese Government figures alone, they have had 87,000 incidents of unrest last year. And as I mentioned, and as a number of you mentioned, China's history has fostered a great sensitivity to their own sense of sovereignty. I know in the Congress this is often a point of concern; it is one in China, too. Because remember, in their recent historical past, they had the British, they had the Germans, they had the Japanese, they had others that basically started to take off pieces of the country. And there is a great aversion to the dangers of upheaval, whether it be the Taipeng Rebellion, the Boxer Rebellion, or others.

And so this is in the back of their minds. And what they are emphasizing today is they say, "Look, we don't want either blind xenophobia, a reaction to foreigners, or worshipping foreigners." So instead their goal—and it fits with what Chairman Hyde said—is rejuvenating Chinese civilization through innovation.

Now, you are now in the fourth generation of Chinese leadership. You had Mao, you had Deng Xiaoping, you had Jiang Zemin, and now you have got President Hu and Wen Jiabao, the Premier. And in the Chinese system it takes a little while to sort of develop your power base as you move forward.

And so I just want to draw your attention that this new leadership just developed a new 5-year program. And it is interesting. They are no longer calling it a plan, it is a 5-year program. And it is a slight difference from the past, and there are some things worth drawing attention to.

First, it is what they call a balance development model. They are trying to seek to redress some of the advantages that the cities had

over the countryside, reliance on exports for growth as opposed to domestic demand, coast over the interior, growth without attention to the environment. They realize they are going to have to develop a social safety net to forestall unrest.

And this could have some important economic implications, because if you look at China and at the United States, we are at opposite ends of the spectrum. They have a very high savings rate and less consumption. As some of you mentioned, we have got a negative savings rate and greater consumption.

And if China actually helps build a safety net, deals with questions like pension and healthcare, frankly there are probably less reasons for people to save. Right now they have to do it all on their own. You could probably get more domestic consumption, and that could be important in redressing some of the trade imbalance you talked about.

They are also going to focus on higher value-added sectors, such as knowledge industries. This, as many other things we talk about, is a double-edged sword. It makes them more attentive to IPR protections, but it also means you are going to have greater competition in these areas.

The imbalances among savings, consumption, and investment—the basic components of a GDP equation—are very much a challenge. And what they now recognize is this is not only a domestic problem, but it is an international problem. Because this trade imbalance you talk about is in part a function of those consumption and savings and investment imbalances. And this is going to require some very significant structural changes.

Well, now let us move to the U.S. perspective and start with economics and trade.

What, from the President on down, we have emphasized is to keep this trading system going that has benefitted them. It has been a key to their growth. We have to be able to show the American people that our economic relationship is a fair, two-way street with mutual benefits.

Since China's accession in the WTO, United States exports have been booming: About 20% a year. They reached about \$42 billion last year. That is their fastest-growing major trading partner. So if you talk to people in the aircraft industry or soybeans or cotton or some of the electronics, many in some of the service industries, there is great potential. But our imports from China are even coming in faster, at a 24% increase.

One thing to note about this is that if you look at the overall trade we have from Asia, however, the share of imports from Asia as our total share has actually come down over the past 10 years. And what this is partly telling you is China has become a massive assembly point for the whole region.

And so when we count the numbers of imports from China, we are counting the final product. Even though there are inputs, in a sense, they have to buy the amounts in between.

So Asia's share of our imports between 1995 and 2005 actually came down a little bit, from 40% to 34%. So it is important to consider how this fits in a global system.

In addition, now that China is a WTO member, we are actively using that to try to make sure they do follow the rules. When I was



USDR, we started to bring the first case, dealing with some semiconductor issues that I know was of particular interest to some in the California delegation. And China quickly came into compliance. Ambassador Portman threatened to bring a case dealing with craft linerboard, and the Chinese came into compliance. We are now doing one with auto parts.

But an important point to recognize, and this is a change over the past couple years, China doesn't just have a big bilateral trade surplus with us; it also has a global surplus. So that means when you take everything they buy, as well as what they are exporting, they are getting a much greater overall set of reserves.

And frankly, that is one of the things that reflects these imbalances. And that is one of the reasons why you should have a currency adjustment, as well as other changes.

There are major concerns that remain. The ones we have stressed are things, market access, opening up the market, intellectual property rights. A number of you have mentioned currency, labor practice. And one I will just draw attention to the Committee that I have a particular concern about is, China actually gets a little wealthier. One has to be concerned about whether they start to use industrial policies, as some have in Asia. They could start to use some subsidies as they start to develop favored sectors.

For some of you who represent high-tech constituencies, this is an area of how they use standards, in particular. So this is going to be a major area we and others are going to have to focus on: What were some of the Chinese's responses to our concerns in this most recent visit?

Well, first, President Hu's visit tried to focus on expanding some of China's imports, emphasizing airplanes, software, auto parts, foam products, communications, and power station equipment, promoting IPR protection. They announced over \$16 billion of purchases, and of course, what we emphasized is this has to be part of an ongoing set of a business exchange, it can't just be a series of one-off progress.

At a meeting that the Secretary of Commerce and Ambassador Portman, USDR had, Secretary Guttierrez, had something called the JCCT, which got some progress on software, beef, medical devices, express delivery, getting China to agree to make a formal offer for the Government Procurement Agreement and the WTO, telecommunications.

One modest point, but it is worth noting since we have Mr. Wilson here, too, is that the Chinese delegation also visited some of the places where they are starting to invest, including a higher plant in South Carolina, that I think emphasizes that two-way investment can create jobs on both sides.

And I think as many of you watched, there was a senatorial delegation that went to China, had a good session with the Governor of the People's Bank of China that emphasized a five-point plan to try to reduce this global current account surplus, including reforming its exchange rate and boosting imports.

The good news is the policy direction is clear, the question is the time frame and whether it will be fast enough.

Second, the importance of human rights and democracy, which I think almost all of you mentioned. What I want to make very clear

is that this is a topic, as you know, that President Bush has very strong feelings about. He spoke very clearly to President Hu about our concerns.

We have seen in this picture of change in China greater economic openness, but generally poor human rights records and weak legal protection and individual freedom. The President has emphasized—when he was in China, and particularly here—his concern in the area of religious freedom.

But there is a message that all of us need to convey to China, and it is something I incorporated in the speech I gave in September. We need to stress that freedom doesn't weaken China. Freer China will be a healthier China.

Free press helps create accountability and deals with this problem of corruption that is undermining the country. Independent labor unions would better help represent worker interests and mediate disputes more effectively. China now has some village elections; that is a good start. But you read about this unrest with the land redistribution. Well, if you have got greater opportunity for people to participate in their own local governance, you have got a better way to deal with those problems, as opposed to resorting to violence.

We believe, and I very strongly believe, that we need to press China to help turn human rights from a negative to a positive in our relationship.

Right now China uses what I will call rule by law, not rule of law. They use law as part of the overall control system. But there is a very important need for China to bring rule of law into the system, have a more rights-based society and institutionalized protections.

But there are going to be some serious questions remaining. When I was in China in January I met with a number of rule-of-law groups, some that we have sponsored, some in universities, NGO communities. But the big question that I take away with is: Even if you build better judges, even if you have better members of a legal profession, what happens when that runs into control of the Communist Party system? And the Internet censorship issue is a good one that sort of shows this today.

So we need to continue to press China, frankly raise our differences, but also explain why, ultimately, one of the lessons that we have all learned over the past 5 or 6 years is that it is societies that do not deal with internal freedom that create cancers that cause problems for all of us.

Other aspects of China as a stakeholder are the security, political, and transnational issues. There is some evidence that China recognizes its growing stake in the system, seeks to work with us and others. On some of my visits I have emphasized the common interest we have in, say, Afghanistan and Iraq. Where China has put forward some aid, it hasn't delivered the aid. In the case of Iraq, it wants to have a good relationship with the next Iraqi Government, in part because of oil ties, so the Chinese said they will invite the new Iraqi Government to come. There are also areas, when we work on the UN Security Council.

As a number of you mentioned, however, there are some issues in the balance. In Sudan, as I think Mr. Lantos mentioned, others

did as well, China, when it was President of the Security Council, put forward a President's Statement over the course of the past month that helped move us in the right direction. It abstained when we moved forward on the sanctions for some of the individuals. That is better than using its veto; it is not as good as support right now, as Secretary Rice this week was pressing to move ahead with the UN Security Council resolution to get a peacekeeping force in this.

I have a sense that if that is backed by the African Union, as I believe it will, that China will go along. China has actually committed to have some forces in Sudan as part of the North-South Accord, but it hasn't yet put them in place.

So I think we are all emphasizing the same point here. We are watching. China can play a positive role, lean sometimes in the right direction, but there is a lot more to do.

China obviously sees Burma as partly the danger of narcotics trafficking and other problems. But at least it was encouraging that when Wen Jiabao went, the Premier, he emphasized the need for Burma to have a more inclusive political process.

Hamas. Some of you might have seen there was a report by the new foreign minister of Hamas for the Palestinian Government sort of saying he was going to go to China. I raised this with the Chinese promptly. Within 2 days the Chinese said they did not invite him.

And so this is where, again, a lot of this is going to take intensive work. Whether it is questions of Latin America, Africa, or Central or South and Central Asia.

Now, we probably want to get through these in the questions, but I just highlighted. Obviously, the core ones on the list are some you have mentioned: Iran, North Korea, terrorism, weapons of mass destruction, proliferation, fundamental threat to international peace and security.

During the Hu visit, President Bush had a chance to discuss a number of these items in some depth. In brief, you generally get a broad agreement on goals, take a run. China doesn't want Iran to have a nuclear capability. But a difference is on tactics and how to approach this.

And let me just give you an example of where I think we need to be shrewd with China on this. Obviously the Chinese know that our bilateral relationship is critical, going to be determined by how they act in Iran in dealing with this nuclear issue.

When I was talking with some of the Chinese authorities, and they said, "Look, we have got our own interests there; we have got energy security concerns," one of the points is, leave aside our interests. Consider China's own interests and energy security.

If you have got a country that believes Israel has no right to exist, that denies the existence of the Holocaust, has supported terrorism, and then develops a nuclear weapon, as I said to the Chinese, you have got to tell me if you think that is going to help energy security in the major energy-producing region of the world.

The Chinese recognize this. But what we are going to have to work on is to try to help us solve the problem.

So I think the way that it comes out with China is they want to be seen as sharing strategic interests with the United States.

What we have to translate that into is common interests with complementary policies. And they may not always be the exact same policies. We don't have any energy ties with Sudan. China does. Okay, well, let us have China use some of that influence and recognize, as I know Mr. Smith knows as well, right now you also have a Government of Southern Sudan. There is a lot of oil there. So if China wants to be cooperative in developing that energy relationship, it can help us implement some of these accords.

On the security and military issues, and I know Mr. Rohrabacher has focused on this, you have seen the Chinese military budget. It has had double-digit increases in the official budget for more than a decade. We believe, and RAND and others believe, that that is an understated amount. And the core question is, if you have got China on the rise, and you have got insufficient transparency on military spending, weapons procurement, strategic intentions, doctrine, people are going to be uncertain; they are going to react to that. And so China can serve its own interests by being more transparent.

There is a near-term military buildup, as a number of you said, focused on Taiwan. And one of the points that came out of, first, Secretary Rumsfeld's visit to China, and, then, the visit of President Hu, is we want to try to drive down some of these exchanges to a junior officer level, and we have agreed to have a dialogue on strategic nuclear forces. I believe Admiral Fallon of Peicong, who I have discussed a lot of this with, is actually in China this week to try to move some of this ahead.

A number of you emphasized the Taiwan issue, and we can go into this in greater depth. But obviously I think all of us share a pride in what the people of Taiwan have accomplished as a democracy. And it is very important to recognize, because I remember, when I was teaching in Hong Kong in 1980, my Chinese students were all excited about Deng Xiaoping's rise. And they said democracy, that is something for the West, it only exists in Japan in some unusual form.

Well, one of the benefits of age, one of the few, is that over 26 years you can see, you know, democracy in Taiwan, in South Korea, the Philippines, Indonesia, Thailand. And there is no reason why it can't come to China, if it is in Taiwan, as well.

This Administration, like others, is governed by the one-China policy, the three communiques, the Taiwan Relations Act. I was pleased to actually, in President Bush 41's Administration, to work on bringing Taiwan, China, and Hong Kong into APEC. And, as U.S. Trade Representative, did the same with Taiwan and China in the WTO in 2001.

The United States has said that it makes defensive articles available to Taiwan, and we have stressed the need to have no unilateral change in status quo by either side of the Taiwan Strait. And we have encouraged a direct dialogue with the elected leaders of Taiwan.

There are other areas of mutual interest. And one that I know is very much on everybody's agenda is energy security. And look, this could go either way. You could have China and the United States at loggerheads, or you could have, actually, us working to-

gether. Our interests would suggest we should work together. Because what do we both want to do?

Well, first we want to expand non-oil and gas types of supply. Second, we want to have more diverse oil and gas supply so you don't have choke points. We want to lower demand and increase efficiency of usage. We have a strategic petroleum reserve; China is starting to develop one. As we saw in the Iraq War, that can be used effectively to deal with some fears and spikes in the market. And we want to have security of sources in transit. That is an agenda we can work on together, whether it is clean, cold technology or nuclear, or hydrogen gas and other items.

This is similarly the case in the environment. And we are working with China with some of the other Asian-Pacific partners on a program for clean development and climate that I think could help contribute the use of technology development for global climate change, whether it be hydrogen cell research, methane-to-markets, carbon sequestration, or other topics.

Avian influenza is another critical issue we have cooperation in, education and science and technology changes, and also in the law enforcement area. This is the one I was mentioning to Mr. Tancredo, about the importance of whether it be aliens smuggling or illegal immigrants.

So in summary, I forgot whether it was Chairman Hyde or Mr. Lantos that said this, aside from dealing with the Islamic political radicalism and terrorism, how we deal with China's growing influence is probably the central question of the 21st century or for United States diplomacy. We need to try to make progress in the short term, while building a foundation for our long-term interests and cooperation.

And both countries have a dual agenda. We have got these domestic concerns, which they have in mind because they still see themselves developing. Obviously, we have in mind, too, but we also have global stakes. So we need to try to achieve concrete results on economic and trade, sustainable growth. We need to continue to press for rule-of-law development, political reform as essential elements of full development.

We need to lay the groundwork for enhanced cooperation on strategic foreign and security policy, the transitional issues. And where we disagree—and we will—we just need to point out our differences, discuss and manage them so they don't preclude cooperation elsewhere, and keep working at it, and set a stage for future efforts.

And one last and important point. The hearing is on China, but one can't see China without embedding it within the larger framework of our policies. So our positive relations with Japan, with South Korea, with India, with Southeast Asia, the EU, and our efforts—I think it was Ms. Berkley who asked the question about the EU arms embargo, or maybe it was Ms. Lee who obviously wanted to continue to keep that in place.

So dealing with China is, in part, the bilateral relations, how we deal together with the world; but how we get the world to deal with China. And as one of the points that a number of you mentioned on human rights, there is a lot of human rights stylize going on now. And one of the things we are starting to do through some-

thing called the Burn Process is to try to coordinate these, and have a cooperative effort pushing on the core agenda of items.

So thank you, Mr. Chairman. And I am happy to take your questions.

[The prepared statement of Mr. Zoellick follows:]

# U.S. – China Relations

Robert B. Zoellick  
Deputy Secretary of State

Committee on International Relations  
U. S. House of Representatives

May 10, 2006

# China: The Context

- Accomplishments:
  - Per capita GDP grew from \$275 (1979) to \$1,700 (2005); average annual growth of 9.6%.
  - China's GDP is now \$2.26 trillion, world's fourth-largest economy after the US, Japan, and Germany.
  - According to World Bank, the proportion of Chinese in poverty fell from 53% to just 8% between 1981-2001.
  - Total trade in 1980 of \$38 billion – today it's \$1.4 trillion, making China the world's 3rd largest trading nation, with current account surplus of \$160.8 billion.
  - As of 2004, total stock of FDI in China stood at almost \$250 billion (11<sup>th</sup> globally).
  - Internet users: 111 million at end of 2005 (8.5% of population).
- Challenges:
  - Population expected to grow about 8% between 2010 and 2025.
  - Half of China's 1.3 billion people live on 8.2% of its landmass (size of Texas).
  - Only 13% of China's total land is arable – between 1997 and 2004 5% was lost to desertification.
  - Rising disparity – by mid-1990s coastal residents were 60% richer than those from interior, gap is growing.
  - 150 million rural migrants, most under 30, working in cities without social safety net.
  - Poverty: 160 million still live on less than \$1/day.
  - Banking sector has 25-30% or more non-performing loans, most to decrepit state enterprises.
  - 7 of world's 10 most polluted cities in PRC; per capita water supply is a 1/4 of global average.
  - IEA estimates Chinese energy demand will grow 4.7% annually through 2025.
  - Corruption threatens regime legitimacy: China ranked 78<sup>th</sup> in TI's 2005 global survey.



## U.S.-China Relations Operating on Two Levels

- China at an historic moment of transition:
  - Not “outside” the international system; rising influence within it.
  - Not isolated from globalization; development strategy linked to it.
  - Not promoting communist revolution and ideological struggle; pursuing interests in economic growth, political/military strength, and inter-state relations.
- U.S.-China relations take place on two different but interconnected levels.
  - (1) Global Context
    - Two major powers.
    - Shared security/economic interests, but also tensions from China’s growing global footprint.
    - Both affected by trans-national threats: disease, terrorism, environmental degradation.
    - Ask whether any future problem is easier or harder to address if China is working in concert with the U.S.
    - Managing disagreements while acting on shared interests.
  - (2) Domestic Considerations
    - Concerns on both sides about economics and trade, access to markets.
    - Strong U.S. concerns about human rights, political reform, individual freedom.
    - U.S./China more interdependent than ever but uncertainty/concerns about future.

## “Responsible Stakeholder”

- Longstanding, bipartisan U.S. policy of facilitating China’s integration into the international system.
  - This has succeeded – consider capital markets, currency, commodities, counterfeiting...;
  - China now a member of WTO, UNSC, most other structures, though still some way to go on nonproliferation issues, particularly missile controls.
- Prompts the question – Integrated to what end?
  - How will China use its new influence?
  - Not just membership but responsibility – shared stake in success of international system of systems.
- “Responsible stakeholder” – a broader notion of national interest
  - Like U.S., EU, Japan, and others, a more influential China has greater capacity than most to help maintain the peaceful, prosperous, and open international system from which it has benefited.
  - U.S.-China relations not just bilateral. Want China to see own interest in working with U.S./others to support global prosperity and security.
  - How do China, U.S. deal with the world?
  - Concept has led to an active debate in China about its global role, how to use its growing power.
  - Many countries hope China will pursue a “peaceful rise,” but none will bet their future on it.

## China's Perspective – Internal and External

- Internationally, China asserts commitment to “peaceful development.”
  - Above all, seeking a benign external environment for its internal development.
  - Sees its international actions as supporting domestic political stability, continued economic modernization.
  - Does not want China’s rise to cause anxiety.
  - Does not seek to overthrow the international system as Soviets did.
  - But does want respect and recognition of its influence; acceptance of its larger economic, military, and political roles in Asia and world.
- Leadership is cautious; concerns for own vulnerabilities, instability, unrest.
  - Two main sources of Party’s legitimacy: economic benefits and nationalism – not ideology or democracy.
  - Much of population still poor; need 12-14 million new jobs/year to keep up with new labor pool entrants, downsizing of uncompetitive state firms, rural migrants.
  - 87,000 incidents of unrest in 2005, according to Chinese government figures.
  - China’s history (especially last 200 years) has fostered great sensitivity to sovereignty concerns and strong aversion to upheaval.
  - Avoiding either “blind xenophobia” or “foreign worship” by “rejuvenating Chinese civilization” through innovation.

## China's Perspective – New Development Approach?

- “4<sup>th</sup> Generation” leadership pushed for new approach through the most recent 5-Year Program.
  - A “balanced development” model.
  - Seeks to redress advantages of cities over countryside, reliance on exports over domestic demand, coast over interior, and growth over environment.
  - Will require development of a social safety net to forestall unrest; may also spur Chinese consumption.
  - Also focused on developing higher value-added sectors, knowledge industries, recognizing benefits of IPR protection.
  - Imbalances among savings, consumption, investment are a huge challenge for Chinese leaders domestically – and increasingly internationally.
  - Success will require significant structural changes that will be hard to achieve over next five years.

## U.S. Perspective – Economics and Trade

- Have told Chinese very clearly we need to show Americans our economic relationship is a fair, two-way street with mutual benefits.
  - WTO accession: U.S. exports booming, but so are imports from China.
  - WTO cases: Ensuring compliance (auto parts, anti-dumping vs. kraft linerboard, semiconductors).
  - China’s current account surplus now global in scope; reflective of imbalances.
- Major concerns remain: Market access, IPR, currency, labor practices.
  - Dangers of “industrial policies.”
- Chinese responses to our concerns:
  - Purchases: Hu’s visit focused on expanding PRC imports of U.S. airplanes, software, auto parts, farm products, communications & power station equipment and protecting IPR – \$16.2 billion during Vice Premier Wu Yi’s tour.
  - JCCT: Progress on software, beef, medical devices, express delivery, GPA, and telecoms.
  - Job creation in United States: Haier plant in South Carolina: two-way investment creates jobs in both countries, including good jobs in the U.S.
  - PBoC Governor Zhou outlined to Senatorial delegation China’s five-point plan to reduce its global current account surplus, including reforming its exchange rate and boosting imports. Policy is clear; need implementation on sustainable timeline.

## U.S. Perspective – Human Rights and Democracy

- President Bush spoke clearly to President Hu about our concerns:
  - Greater economic openness but closed politics; generally poor human rights record, weak legal protection of individual rights.
  - Lack of religious freedom.
- Freedom will not weaken China; freer China will be a healthier China.
  - Free press and accountable leaders necessary to check corruption that erodes government legitimacy.
  - Independent labor unions would better represent worker interests and mediate disputes more effectively.
  - Village elections were a good start, but peasants without a say in how they are taxed or compensated for land appropriations are more likely to resort to violence.
- Want China to help turn human rights from negative to net positive in our relations:
  - For economic reasons, China needs to turn “rule by law” into “rule of law,” creating the basis for a more rights-based society and institutionalized protections.
- But questions remain – Legal restraints on Communist Party? More trade/travel leading to open society? Internet censorship highlights this contradiction.
- Will continue to press China, frankly raise our differences, and seek change.

## China as Stakeholder: Security, Political, Transnational Issues

- Some evidence that China recognizes growing stake, seeks to work with U.S./others in China's own interest:
  - Afghanistan, Iraq – aid, political support, UNSC coordination.
  - Sudan, Burma, Hamas – mixed record but opportunities/possibilities.
  - Dialogues on issues including Latin America, Africa, South/Central Asia.
- Deeply engaged with China on critical global problems:
  - Iran
  - North Korea
  - Terrorism
  - China now a stakeholder in stable energy market, protection of own citizens.
  - Pushing China to view WMD proliferation as a fundamental threat to international peace and security.
  - Needs to weigh policies in this light toward Iran, North Korea, terrorism.
- During Hu visit, presidents discussed in some depth. Broad agreement on goals. Less agreement on tactics, but China and U.S. discussing pursuit of mutual interests in greater depth.
- China wants to be seen as sharing strategic interests with U.S. Need to translate common interests into complementary policies.

## Security and Military Issues

- Chinese military buildup
  - Double digit increase in PLA official budget for more than a decade.
  - Insufficient transparency on PRC military spending, weapons procurement, strategic intentions, doctrine.
  - Lack of transparency, uncertainty about future will force others to hedge.
  - Near-term military build-up focused on Taiwan.
  - At April 20 summit, agreed to junior officer exchanges and dialogue on strategic nuclear forces.
- U.S. has unofficial ties with a democratic Taiwan.
  - U.S. maintains our “one China policy.”
  - Three communiqués, Taiwan Relations Act.
  - Assisted Taiwan’s accession to APEC and WTO as an economy.
  - U.S. makes defensive articles available to Taiwan.
  - No unilateral change in status quo by either side of Taiwan Strait.
  - Need for direct dialogue, including with elected leaders of Taiwan.



## Other Areas of Mutual Interest

- Energy security – Two largest consumers, similar interests: expanded non-oil/gas supply; more diverse oil/gas supply; lower demand and increased efficiency of use; strategic petroleum reserves; security of sources and transit.
- Energy and environment
  - Asia-Pacific Partnership for Clean Development and Climate.
  - Also cooperate in nuclear fusion and hydrogen cell research, carbon sequestration, methane-to-markets.
- Avian influenza
  - IPAPI, APEC
- Education and S&T exchanges
- Law enforcement (narcotics, financial crimes, IPR, alien smuggling)
  - Immigration (DHS/PRC cooperating on return of illegal immigrants.)

## In Summary

- Aside from dealing with Islamic political radicalism and terrorism, how we deal with China's growing influence is one of the central questions of 21<sup>st</sup> Century U.S. diplomacy.
- Need to make progress in short-term while building a foundation for long-term interests and cooperation.
- Both countries focusing on a dual agenda – domestic concerns and global stakes:
  - Try to achieve concrete results on economic/trade issues, sustainable global growth.
  - Continue to press for rule of law development and political reform as essential elements of China's development.
  - Lay groundwork for enhanced cooperation on strategic foreign-security policy and transnational issues.
  - Where we disagree, point out differences, discuss and manage them so they do not preclude cooperation elsewhere – set stage for future efforts.
  - Embed within larger framework of positive relations with other countries – Japan, Korea, India, in Southeast Asia, EU....

Chairman HYDE. Thank you, Mr. Secretary, for that extraordinary review of United States-China relations, as well as China and the world.

I would just like to ask one question relating to the North Korean dilemma. If there are two places in the world where there is a possibility of great power confrontation, it is probably Taiwan and North Korea. As Mr. Lantos has noted, the Chinese have a major role in the North Korean circumstance. To some degree they have played a very constructive role, with hosting the Six-Party Talks.

But part of the future relations between the United States and China relates to the direction of change in China. Part of it relates to policy and potential change in direction of the United States policy, as well.

And with regard to North Korea, I would first want to say by contrast I think this Administration's policy, vis-a-vis Taiwan, is extraordinarily thoughtful. I have not been as convinced with North Korea.

And so my question is, because it has a great deal to do with the United States-Chinese relationship: What new steps are we contemplating, vis-a-vis the North Korean dilemma? Or are we exclusively going to be resting our foreign policy on the foreign policy of China?

Mr. ZOELLICK. I know, Mr. Chairman, we had a chance to talk about this a little bit in another context. And what I would point you to is the Six-Party statement that China helped develop in September of last year.

While it is a brief statement, it actually provides the elements of a roadmap with North Korea. It talks about the importance of denuclearization. But it also talks about some of the other opportunities, whether it be in the energy area, whether it be in retrieving a peace regime, ending this cold-war conflict on the peninsula; whether it talks about trying to open up this society. Those are the core elements that, in my view, Mr. Chairman, really start to present a choice to the North Korean system.

One choice is where it could continue to be isolated and struggle along. The other—and this is where they differ a little bit—has to be North Korea's decision about whether it really wants to open up and perform itself. Does it want to be like China, circa 1980, under Deng Xiaoping?

Now, a couple of little points on this. It was interesting to see Kim Jong Il's trip in China, which, not accidentally—those countries never pick itineraries accidentally—followed the Deng Xiaoping path.

Frankly, it is still unclear. Was that a feint, or was that a serious effort on North Korea's part to look toward an opening of economic reform?

Now let me connect this to China, which you alluded to and Mr. Lantos referred to. I think China has been cooperative, but frankly I think here is China's concern. It doesn't want North Korea to have nuclear weapons, but it is concerned about a collapse on China.

So I think, frankly, it is a little hesitant. It doesn't use those economic ties in the full sense because it is worried about what a collapse in North Korea might do.

So to pull that together, Mr. Chairman, I think what we can do and need to do with the Chinese and the South Koreans in particular, but also other partners, Japanese, is to make it clear to Kim Jong Il that there is a pathway if he wants to change the system. And we have offered, the President has made statements about the security issues. The statement about a peace regime in the peninsula is no small step if you consider, you know, what you have now after 1953 is just a cease-fire arrangement. You don't have a peace accord there. So I think that is the path to pursue.

The Presidents did discuss this somewhat. And one of the things I think we need to see is whether the North Koreans are willing to engage seriously.

Where I think the Chinese are wrong is that they believe the status quo can hold. I don't believe it can, in part because you have got an illegal regime that is living off of counterfeiting and narcotics and others. And one of the differences that we have had is to say, "Look, in our own self-interest, we have to protect our country. We can't allow people to counterfeit, use money-laundering, narcotics."

And I think as one does those things, it is going to even force a choice more for the North Korean regime. So we need to give them a pathway, but ultimately it has got to be their choice. And I hope the Chinese can encourage them to take the right choice.

Chairman HYDE. Well, I am with you. And I will just conclude with the observation that I think our pathway is credible, but there is a great deal in international relations, as in personal relations, in psychology. And there does not appear to be a major American commitment that is very personal.

And I would strongly recommend that you consider a high-level demarche outside the Six-Party Talks, although maintaining the Six-Party framework that involves, personally, United States visits to North Korea.

Mr. Lantos.

Mr. LANTOS. Thank you, Mr. Chairman. Let me commend you, Mr. Secretary, for what the French would have called a four de raison. You covered the whole world, and you did so brilliantly.

I just would like to add a footnote to what my friend, Jim Leach, was focusing on. One of the most useful things the Chinese can do to improve United States-North Korea relations is to explain the United States to North Korea. Let me be specific.

The Chinese have understood over the course of many years now that we are able to cooperate, even be very friendly, on issue A through X. But we are very negative and confrontational on five or six other issues.

The North Koreans took umbrage at our opposition to their counterfeiting of our currency. Now, the Chinese would have had a glorious opportunity to explain to them that the United States does, in fact, want to develop better relations with North Korea, but at the same time we will not be silent on the issue of their counterfeiting United States dollars. They haven't done so. They haven't done many other things.

And I think you put your finger on it. They think that the current status quo can continue ad infinitum. It can't. Relations with North Korea will either improve, or they will deteriorate. And it is in the Chinese interest to see to it that United States-North Korea relations improve.

I would like to ask you, by the way, in all of your presentation I found no single item that I would disagree with, except perhaps one. I would be grateful if you would go back and sort of explore your figures.

You have indicated, Mr. Secretary, that Asia's exports to the United States on a global scale have actually diminished. While I believe that to be true, I think it is overwhelmingly in the last year the result of the explosion of petroleum prices. So it is not a decline in Asian exports to the United States, but it is a function of the dramatically higher prices we pay for our energy imports from the energy-exporting countries, which are not in Asia.

So I think it is a post-hawk agro-proctor-hawk fallacy that I know you will want to correct.

I would like to focus on Iran. Iran will be a touchstone of the tenure and quality of our relations. And I would be grateful if you could share with us the Department's recent reading on where China stands on this.

Secondly, I would like to ask you about Burma. China is a major financial backer of the ruthlessly authoritarian regime in Burma, which continues to jail Nobel Prize winner Aung San Suu Kyi. How seriously do they raise the Burma issue with the Chinese? And will China agree to a formal debate in the UN Security Council on Burma's threat to regional stability?

Finally, Mr. Secretary, I would like you to comment on the obvious: The two other great Asian countries are political democracies. We have a fundamental value affinity now with both Japan and India. Is China aware of the fact, in your many dealings with them, that the quality of our relations with them will have to be of a dramatically lesser order as long as they maintain the political and human rights-suppressing structure that they now have?

Mr. ZOELLICK. First, I think you made a very good point about the role of China explaining the United States to North Korea.

On the percentage, since I was U.S. Trade Representative, I have a slight advantage over you. It has gone up because of the oil numbers, is a good point. It was the case even before you had the run-up on oil. It is a relative point.

On Iran, when I was in Beijing in January, this is one of the issues that I was trying to highlight all throughout the system in trying to help lay the groundwork for President Hu's visit. And the Chinese told me at that time, and they have emphasized again now, that they agree in principle; they don't want Iran to have a nuclear weapon, and they understand the danger of that process.

They have said to me that we may differ on tactics, and we are concerned, as I mentioned, about some of the energy security issues. They have been given a little bit of a cushion because of Russia. So again, I think this is connecting these items together, if we can bring Russia along with some of this, my own sense is that China will not be an obstacle in the process.

They have shown some cooperation. They voted for the IAE Board of Governors at the February 4 resolution to report Iran. They joined the rest of the Security Council on March 29 in adopting the Presidential Statement. They have sent senior officials to Iran, and they have reported back to us. And we have a sense of the message that they are trying to deliver.

Now, it is not a surprise that both they and the Russians will play themselves as a little bit of a mediator. But the Iranian total lack of cooperation has helped create an environment where we can try and bring others further along. And this is the process that Secretary Rice was engaged in this week.

As you start to try to do two things, maintain an international coalition and also gear up the pressure, you are going to get people who get more anxious. So the notion of a Chapter VII resolution suggests to some the possibility of a use of force. And they may want to be willing to ratchet up the pressure, but they are worried about that aspect. In part because of some of their own history, they get worried about the use of sanctions as you move forward. But that is one of the reasons why I think you see, as Secretary Rice was saying yesterday, while recognizing that we need to work with dispatch, we need to work the diplomacy of this as we go along.

It is my sense, Mr. Lantos—but this is where I think we all can continue to stress this, and I appreciate your remarks—is that China recognizes the very important issue in the United States-China relationship; we need to keep stressing that.

But as my other comment said on energy security, we need to get them to understand their own interests in this. And one of the things that I have said to the Chinese is, “Okay, you agree they shouldn’t do this; if you have differences on how we do it, then how are you going to do it?” And this goes to this notion of taking some responsibility.

So the last chapter on this isn’t written, but you can see, I think, the focus of our effort on this.

You mentioned Burma. In the case of Burma, I think China historically is at a different position. It has a much broader relationship, obviously, with Burma than any we have, so it is in a position, I think, to use more influence.

We have emphasized that the regime’s own sort of isolationism, non-inclusive political process, and crazy actions continues to isolate it, and that poses risk to the whole region. You have seen how some of the Ossiane countries have recognized this as well.

It is a good area where part of this, in the challenge of the diplomacy, is getting people to recognize how it is in their own self-interest to try to change some of these things.

I mentioned in my opening remarks the slight shift in Wen Jiabao’s statement to the Burmese. I don’t want to make too much of this, but I think it is of some interest.

You asked particularly about the UN Security Council. China joined the consensus in December 2005 to discuss Burma in an informal consultation. However, they said this is a one-op exercise. So this is kind of the step-by-step of the process.

But all these together, in a sense, are good examples of what we are trying to develop with this deeper dialogue on a whole host of

issues. We had the questions from Mr. Royce about Africa; it is the same thing there. I mean, right now much of Africa or the interest that you see in China is driven by economics, whether Latin America or others.

And frankly, I think what we need to point out to them is to say, "Look, whether in your relations with us or the Africans or others, how you behave and how you act is going to make a difference." They won't do it exactly the way we would do it, but we can get, I think, greater cooperation on these items.

Chairman HYDE. The time of the gentleman has expired. The Chair would like to make a brief announcement. We have been informed that the Secretary must leave by 12:15. So as I go down the list, I am going to be pretty tight on time.

Mr. Smith.

Mr. SMITH OF NEW JERSEY. Thank you very much, Mr. Chairman. Let me just say, Mr. Secretary, thank you for your wonderful testimony, it was excellent.

Pope John Paul II once said, "If you want peace, work for justice," and at the core of what many of us do here is believing that. At the ground level, the Chinese love to talk about mutual respect; Hu Jintao said that during his visit.

Yes, government to government, there is that mutual respect. But it also needs to be vertical with the people, and that is where it has been lacking.

You mentioned dialogue on human rights. But I would respectfully submit that dialogue should be no substitute for deeds. And it has been my experience with the Chinese and with other dictatorships that they will talk, but we want to see tangible deeds, and they have been lacking. As a matter of fact, on virtually every area of human rights observance there has been significant regression year after year. And I find that very and profoundly disturbing.

I am also concerned that the rule of law is subjected to a dictatorship-friendly redefinition by the Chinese Government. And I like to call it the rule of unjust law, designed to repress, crush, and control the people of China under the veneer of law. And I am concerned that all too often, we, both on the corporate side and government side, acquiesce to the rule of unjust law.

And I would like to offer three brief examples and ask for your response.

On the corporate side, Cisco, Yahoo!, and Microsoft stood where you are in mid-February, and I was appalled when Yahoo! and some of the others said, "Well, they are just following orders. Following the law locally."

Yahoo!, which obviously gave up several dissidents, including Shi Tao, who went to 10 years in the Laogai, I asked him: "Under what terms, conditions, and circumstances do you give information about a person who has an e-mail with Yahoo! to the government?" And he wouldn't answer it; he said it would break Chinese law. And yet, you know, is it just anybody who walks in the door and says we want information on so-and-so?

So they have acquiesced. And rather than changing China, they have changed these corporations.

Another example. Mr. Lee, a Chinese Christian, was arrested and tortured, and faced a prison sentence for belonging to an un-

registered house church. He escaped to the United States and got asylum here. The INS appealed. In 2003, the Board of Immigration Appeals (BIA) reversed the judge's decision. The BIA found that Lee had honestly described how police beat him and tortured him with an electric shock device and forced him to sign a confession. But then, incredibly, it ruled that Lee was punished for violating laws on unregistered churches that it said China had the legitimate right to enforce.

Later BIA included failure to legal action or prosecution, not persecution. And I would just add parenthetically that is absolutely contrary to the International Religious Freedom Act. And that language was completely bypassed in all of these proceedings.

Eventually it went to a higher court, and still found that he was violating these laws about unregistered churches in China. Only after there was an uproar did justice finally prevail. This was a total miscarriage of justice, and he finally got his asylum.

But it was amazing to me, in reading these cases, that they were saying, "Well, that is Chinese law, and we need to follow it."

The third and final example. One of my constituents, whose enterprise Motion Systems Corporation provides hundreds of highly-skilled manufacturing jobs in my district has been hit by unfair Chinese competition. He produces vital parts that go into high-tech products made for the Defense Department. For many of these contracts he doesn't even know what they are used for, because it is all classified.

He recently sued the Chinese for stealing his designs. He sued and won the first part of his case. The ITC ruled that he had suffered harm, and recommended quotas. But the USTR and the White House exercised their legal discretion to deny relief.

If such unfair competition continues, he will ultimately have to cease manufacturing those items, which could leave a number of people without jobs. As we all know, and you said it yourself, there are no labor unions. Collective bargaining rights do not exist there. Many of the Laogai—and there are about 1,100 of them—produce parts that eventually find their way into U.S. manufacturing and onto our shelves at retail outlets.

But in this specific case, here it was the ITC found in his favor. But it was then reversed, and it was clearly unfair. We are now bending to the rule of unjust law in all three of these cases, on the corporate side, as well as on the government side.

Your response.

Mr. ZOELLICK. Well, let me start with the Internet freedom one, which I know is a strongly-felt issue in this Committee and many others. And it is an issue, and I am glad you brought attention to it, Mr. Smith, it is not only going to be a China issue; it is going to be an issue in lots of different places of the world.

On the one hand, the Internet offers some incredible possibilities for innovation and commerce and disseminating ideas in the world. And our goal as a country has to be to try to increase the freedom and flow of information and ideas.

One of the things that we are trying to do, I know with the encouragement of you and others here, is to try to embed this more into some of our diplomatic work. We can press governments on



these restrictions, we can build coalitions, which is a key on a lot of these items, to try to have other countries help us with it.

There are going to be a lot of fights ahead of us in some of these international organizations. I know some of you have the scars about the free flow of information in some of these contexts. And we are going to start to include the Internet freedom issues in our human rights reports to try to institutionalize it.

At Secretary Rice's direction, Under Secretary Shiner, who I know many of you have worked with, helped create a global Internet freedom task force, where we are trying to work with companies, some of the same ones you met, NGOs, academics, and others. And one of the things that I think goes to your specific example, Mr. Smith, is whether it is in their interest to develop some best practices.

If they are going to go and operate around the world, and I certainly see the benefits of them operating around the world, for example, transparency in policies. So what is your policy on censorship? What is your policy on giving up information? So that it is not something that people are unaware of.

And another one, and it may be a small step, but a useful step, is to make sure that if there is some required action, just as there would be in our country, for information, you have to follow a due process and a legal system. Because then it is forcing the government not to just lean on somebody, but to take the formal steps.

So I think this is a start in the process. I know you are deeply engaged in it. But I think you are right, it is a double-edged sword here. And I happen to believe that the spread of technology and information ultimately will be a good thing for these countries, but it certainly can be abused, as you pointed out.

In terms of the religious freedom issue, this is a topic that President Bush, Secretary Rice, and I all sort of personally stress, particularly on this issue that you highlighted. So I don't know about the prior court history, but what surprises me about it is that the Chinese have said, at our prodding, that there are possibilities for sort of private worship in homes—house worship—also education of minors. We have had, obviously, examples to the contrary. So that was one of the things that we were pushing that they should put this into a regulatory form.

And they have emphasized they would protect those. But it is going to be a point where we need to keep vigilant about making sure that this gets full attention. And all I can tell you is, in our system it starts with the President, he has got a very strong interest in this.

It surprises me, but I will follow up with you—

Mr. SMITH OF NEW JERSEY. It was *Lee v. Gonzalez*, and it was appalling.

Mr. ZOELLICK [continuing]. Is that, you know, how they could base it on the Chinese law, when at least the Chinese tell us the rules are somewhat different.

And in your third case, the trade case, I am afraid I am not familiar with it. If you give me the information, we will check.

Mr. SMITH OF NEW JERSEY. If you can get back. And just let me conclude, Mr. Chairman. This man here is Bishop Shu of Baoding Province. I met with Bishop Shu in the early 1990s. He was then

rearrested. He has spent more than 30 years in the Chinese prison camp. He has been tortured, mistreated, and his whereabouts and whether or not he is even alive now remain unknown.

You know, talk about religious freedom, this man had nothing but compassion for those who suppressed him and those who tortured him, yet when I met him, he had already spent more than two decades in Chinese concentration camps. And that is the reality.

Thank you so much.

Ms. LEE. Thank you, Mr. Chairman. Let me say I, too, was quite fascinated by your very excellent presentation and testimony, Mr. Secretary.

And for the life of me I keep thinking, I can't understand why this same gentle approach toward China is not used with regard to Cuba. So that is the first question I want to ask you.

Secondly, just with regard to Latin America and the Caribbean, we have seen, of course, over the last couple of years a deepening of the relationship between Caribbean and Latin American countries with China. Of course, I believe we missed our opportunity, because we have, quite frankly, neglected much of the region. And China sees that as an opportunity.

So I would like to ask you with regard to what you see as the future. Will we ever become again the partner of choice for the region, the Western Hemisphere? Or have we lost that opportunity to China?

And finally, just with regard to Sudan. I often thought, through this entire terrible period of hundreds of thousands of people getting killed, why we weren't harder with China, given the trade preferences, given the relationships and our policy toward China. Why didn't we come down pretty hard on them, and try to help them understand why they should not engage with the genocidal regime in Khartoum?

Mr. ZOELLICK. Okay. On Cuba and China, I could add North Korea with Mr. Leach on this, I will take each one on its terms. And in a way your question reminded me of the dialogue that Mr. Leach started.

You see, the difference in China is that when China, in 1980, decided on a development course, it decided to open up to the world. And we may have differences on how far they have gone and how they are doing it, but they have taken a path that we believe is, and a number of Administrations have believed—seven—that it is important to try to encourage that integration, because we believe it will transform the system. It has clearly reduced poverty, but it gives other opportunities to open up to society.

Castro hasn't done that. The fundamental difference—

Ms. LEE. But Mr. Secretary, let me just interject. The last time I looked, Cuba does have relations with the majority of countries in the world.

Mr. ZOELLICK. I don't think it is a question, Congresswoman, about whether it has relations. It is a question about whether its strategy is to open up. And I draw the analogy with North Korea.

We have a lot of obstacles with North Korea, as well. If North Korea is willing to open up, as China would in 1980, there can be transformation of relations.

I think the reality is that Castro has chosen a very different course for his country. And for many people here who are concerned about human rights, I would suggest that Cuba has got some serious problems, too.

The Caribbean. I agree that the Caribbean is a region that we always need to devote attention to. Secretary Rice just went down to a meeting of the CARICOM Ministers in the past month, even while she was running around doing these other things, to help emphasize it. When I was USTR I used to go down there a lot, because I realize that these are economies and societies that are very close to the edge. It doesn't take much in terms of a storm or something else to overwhelm them.

And they have a particular agenda. Some of it is of concern for narcotics, some of it is economic development, some of it is dealing with these natural disasters.

We as a country, and this as a Congress, too, has tried to give the Caribbean a special place. They have special trade preferences that have been developed, starting in the Reagan Administration, that pretty much give them open access to our market.

As it links to China, you asked—and I think this is a broader question of Latin America—China's engagement with Latin America and the Caribbean is fundamentally based on one of two issues: One, just economics. It is buying things, it is investing; the second is Taiwan. We have a number of countries in Latin America and the Caribbean that still recognize Taiwan, and China wants to leverage that away.

As part of the discussions we have had with the Chinese, we have emphasized that while it has got a growing economic relationship, it is still much smaller than the United States' is, that it has got to use its power responsibly. And I believe the Chinese appreciate this. The Chinese will not want to undermine their core relationship to the United States for misuse in the region.

But it is one of the reasons, as a number of you mentioned, we need to have the discussion, because we want to make sure that they understand what we think—for example, Venezuela—may be sort of problematic areas.

Our Assistant Secretary for the Western Hemisphere, Tom Shannon, actually was just in Beijing in the middle of April on this sort of discussion, talking about regional stability, terrorism, transnational crime, some of the economic issues.

And just to give you a sense of how this can work constructively, part of our peacekeeping operation in Haiti includes some Chinese forces.

So I think it is a challenge for us to say to the Chinese, "Okay, your economic footprint is bigger, you are going to be in these places. Be careful how you use it, be careful how it is perceived in the United States, and let us discuss how it might be done more constructively."

And I do think there are areas where we can cooperate, although on fundamental issues like human rights we are going to continue to have some differences with them.

All I can say on this is that I have had extensive discussions with the Chinese as part of this senior dialogue, and I have high-

lighted Sudan from the very start. And it is a good example of a number of things coming together, Congresswoman.

One is, their interest in Sudan was primarily driven by energy. And what I partly said to them is, "Look, there may be sort of your state-owned energy companies that are going to Sudan because there are not other places that they feel they have available. But be careful about what impression it creates, not only in America, but in Africa."

And so I have tried to say, "You know, you may have your energy interests, but you can do it in a way that helps create peace, deal with the genocide, help us cooperate on some of these items." And I think we have made some headway on some of these issues.

And again, they have a different relationship with the Khartoum Government than we do, but maybe they can use that relationship to press the Government in Khartoum to take some of these steps.

So it is a good example of how, whether it be Burma, whether it be Sudan, whether it be some of these other issues, at a minimum we need to make clear to the Chinese we are watching, and others are watching, if you want to have good relations in Africa over time.

I was in Nigeria for these negotiations. Shortly before that President Hu had been there, and some of the people that are causing trouble in the Niger River Delta were obviously focusing now on the Chinese.

The Chinese are going to have to be aware of this as they get a bigger footprint. It can backfire on them. And so they are better off trying to support some of the main objectives that we, the European Union, or others are trying to promote.

Chairman HYDE. Chairman Rohrabacher.

Mr. ROHRABACHER. Thank you, Mr. Deputy Secretary. And I will just note first that I think that this Administration treated President Chen, who is a democratically-elected leader, in a disgraceful way. And I will leave this to Mr. Tancredo to follow up on. But for us to throw ourselves on the ground in order to curry favor with a dictatorship by mistreating a democratically-elected leader doesn't lend itself to the type of respect from the dictatorship that will lead to the positive things that you are thinking about or talking about today.

I have been told over the many years that I have served here that if China prospers, and as China prospers, we can expect it to liberalize. And that has been used as an excuse by our corporations for investing huge sums of money there, and for us to have a policy that permitted the building of this great economy now that is booming in China.

We have also been told that, as China prospered, it would mellow out internationally; become less of a force for instability, and more of a force for stability. I haven't seen any evidence of that. I called the first, of course—the idea that we are going to make a dictatorship prosperous, and that will make the dictatorship more freedom-oriented—I call it the hug-a-Nazi, make-a-liberal theory. I haven't seen any evidence of that.

Have you seen any evidence that opposition parties are being able to be organized? All the things that you told us about earlier in saying how China is progressing are all economic growth areas.

And also the implantation of China into our international bodies, but not necessarily suggesting that that was, showing where that was, a positive movement.

Has there been any movement toward opposition parties or freedom of the press that permits people to criticize the Communist Party, for example, in China? We have heard evidence, I haven't seen any evidence of freedom of religion. In fact, we see a lot of evidence that there is actually some retreat from permitting people freedom of religion and labor rights, et cetera.

Am I missing something? Or has there not really been any movement? Although we have had this massive increase in economic power.

Mr. ZOELLICK. First, Congressman, on President Chen, which you raised, he had the opportunity to meet the First Lady and some of the congressional delegation just yesterday. One of my colleagues talked to him on the phone as he was leaving, talking about how we can continue to have a strong and good relationship with Taiwan, which we seek to have, within the terms of the Taiwan Relations Act and our One-China Policy.

Mr. ROHRABACHER. Would the Taiwan Relations Act prevent us, in your position, from treating President Chen courteously and permitting him to refuel his airplane on a trip to other parts of the world?

Mr. ZOELLICK. He was offered an opportunity to refuel, and I know of no requirement that he couldn't get off the plane. You would have to talk with the Taiwanese about how they decided to schedule where they wanted to go. So I don't believe he has been treated in any—

Mr. ROHRABACHER. Well, I found his treatment unsatisfactory to a democratic leader in an attempt to curry favor with dictators and gangsters in Beijing.

But what about my other questions? Has there been any less restrictions on freedom of the press and religion in these last few years, that perhaps some of us have missed?

Mr. ZOELLICK. I think if you compare the China of 1980, when I first visited, with the China of 2006, I think it is a more open society.

Now, that is not to say that there aren't tremendous challenges which we have all listed to try to address. But I do think it has moved more in that direction.

Mr. ROHRABACHER. Well, certainly. And I would have to suggest to you that progress made in terms of liberalization, if there was any, happened before Tiananmen Square. But what only is significant to us now is what has happened since Tiananmen Square in terms of the trend of political and social freedom in China. And it seems to me that since Tiananmen Square they have gone the wrong way, but we have continued to build their economy.

Mr. ZOELLICK. Well, I think there are a couple of elements, which I tried to touch on in my statement.

Number one is they tried to build their economy, they are going to build their economy. And it is a question of, Do we also want to have influence in that process? And getting a couple hundred million people removed from poverty is also, I think, a positive development for the world.

Secondly, as we discussed with some of your colleagues, we have worked with the Chinese, and we are going to set out an agenda of issues like Iran, North Korea, other topics.

But third, that doesn't at all dissuade us from making the point that you and others have made about pressing forward. At the same time that I set out these other concepts, actually the coverage of the speech I gave emphasized how I was pressing forward the democracy agenda, which I was doing. And I was suggesting that for their own interest, they should move from the village elections to provincial elections. They should move to a serious rule of law.

Mr. ROHRABACHER. But they haven't.

Mr. ZOELLICK. I think it is important to recognize and be fair, Mr. Rohrabacher, it is something we all have to push on together. It is not going to be an overnight issue. And you have to decide. Do you want to detach yourself from China, or do you want to try to work with it? I believe we should work with it.

Mr. ROHRABACHER. Would you say that is true of all dictatorships?

Mr. ZOELLICK. No. It depends on the nature of the regime, and whether it is trying to head in a slightly different direction. In the answer I gave to Ms. Lee, I distinguished North Korean behavior from Cuban behavior from China behavior. So I think you have to take each one on its own terms.

Mr. ROHRABACHER. Well, Mr. Chairman, if I could, just one last note. We have created a Frankenstein monster. We are the ones responsible for building this enormous Chinese economy, sometimes at the expense of our own middle-class people who work in manufacturing, et cetera. And it has not worked out as we were told it would.

We do not now have a benevolent, liberalizing regime in China. Instead we still have the horrendous stories of repression of religion, of torture, and of political repression.

Chairman HYDE. Would my friend yield briefly? With all due respect, Mr. Secretary, many of us believe, and I believe it strongly, we have a more open Potemkin Village, not a more open society.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

Chairman HYDE. Ambassador Watson.

Ms. WATSON. Thank you so much. And very quickly, I want to follow up on something that Mr. Rohrabacher brought to our attention.

Just the day before yesterday we were in Costa Rica, and we met with President Chen of Taiwan. And he expressed the fact that his country felt disrespected, and he was hurt that we, our Administration, refused to allow his delegation to do an overnight transit stop in the United States. And he brought up the fact that we are dealing with China, and China is a Socialist country that denies human rights to its people.

And our delegation, led by Dan Burton, responded that we would ask for an explanation and apology for not treating them with the proper protocol in a transit visit on its way to celebrate the election of the new President of Costa Rica. You can respond after I give you my main question, but I wanted to follow up on that, and let you know that it might have been a deliverable to the Chinese

after the Hu visit. We don't know. So you might want to expand on that in a moment.

But right now I have the Hollywood Chamber of Commerce waiting for me in the anteroom. And we are all concerned about the protection of intellectual property. And we know that there are violations on the part of China, and they continue to plague our relationship.

I represent Hollywood, and the entertainment industry represents a \$500 billion industry. And a lot of our intellectual property is being stolen and sold on the street for a pittance. And that has a tremendous impact on our economy each year.

And so we feel that China is the epicenter of worldwide IPR violations. And the United States Customs Service estimates that over 50% of all pirated goods it seizes originate in China. Nearly 100% of the DVDs made in China are now pirated. And China's IPR violations not only undercut the profitability of American companies, but also significantly complicate the ability of American companies doing business in China to play on a level playing field.

And we have made it, in this country, a major issue in the World Trade Organization. The Chinese Government has repeatedly agreed to boost enforcement of IPR by increasing criminal prosecution of offenders, and improving cooperation among Chinese enforcement officials, and between United States and Chinese IPR officials.

However, China has repeatedly failed to fulfill its pledges. Most recently the United States initiated a special process under WTO rules to request that China provide detailed information on its IPR enforcement efforts, and China responded by challenging the legal basis of this request. And so I would like you to comment.

And finally, are trade barriers an appropriate response given the level of the inter-transigency of China on IPR issues? And it is very important—not only to my district, my community, but to the United States as a whole.

Mr. ZOELLICK. Well, on your first one, it is a very important point. You used the term "country," and the protocol attributed to a country.

Ms. WATSON. Excuse me, wrong wording. Let us just say Taiwan.

Mr. ZOELLICK. That is my point, is that we have got to be real careful here about the protocol attributed. It is an economy. And there are big stakes here, Congresswoman, where lives could be lost.

We have had a One-China Policy since the time of Jimmy Carter. That policy is controlled by three communiques in the Taiwan Relations Act.

We—and I said this in my opening comments—owe a great deal of respect for what Taiwan has accomplished in terms of creating a vibrant democracy, a strong economy. And I also pointed out that in 1991/92, I am the person that got them into APEC, and in 2001 got them into the WTO. So it helps strengthen these economic relations.

I was a little disappointed after we did so that I then had to spend about 2 or 3 years getting them to follow through on their obligations. But as they started to do so, we did respond again. One

of my deputies went there, and there is going to be another deputy from USTR going on the economic side.

But we have to be very careful, you see. And this is the balance, is that we want to be supportive of Taiwan, while we are not encouraging those that try to move toward independence. Because I am being very clear: Independence means war. And that means American soldiers—

Ms. WATSON. Would you yield for a minute, please?

Mr. ZOELLICK. Pardon?

Ms. WATSON. Would you yield for a minute?

Mr. ZOELLICK. Yes.

Ms. WATSON. Your bottom line. Would we deny anyone an overnight transit visit on their way to somewhere else? Is that part of the agreement? I think that is a lack of protocol and respect for any leader of any country, when we allow other leaders to come in.

And I understand what you are saying. But would it be interpreted by Chinese, allowing them an overnight transit stop, would that be interpreted as more or less playing with Taiwan? That is what I would like you to—

Mr. ZOELLICK. Congresswoman, to go to your core point, we make our own decisions. We don't clear them with China, we don't negotiate them with China. So our decisions are our decisions.

We offered President Chen an opportunity to have an overflight stop. He, in the past, has had overflight stops, where he has stayed overnight, and he has had a series of broader discussions with people. Sometimes those have raised some of the questions that I have mentioned.

President Chen, in his inauguration, put forward five policy statements.

Ms. WATSON. Let me cut to—

Mr. ZOELLICK. If you want to get into this, we will get into it. But I am honestly saying it is not—

Ms. WATSON. Excuse me for a minute. Would you yield? Let me cut through that. I am just repeating what he said.

Now, maybe we lost a lot in translation, because he was speaking, and his language was being translated into English. And he said that the Administration denied him a transit visit overnight in the United States. And that he felt hurt. And we were embarrassed. And we asked to follow up, and maybe give an apology. Because I think it would have been proper protocol to say yes, no meetings or whatever. But that was what he described as his treatment when he got here.

So if you will go on to my next point. I want to meet with my group out in the anteroom.

Mr. ZOELLICK. Well, indeed, you can mention me to your constituents, because I went out and visited them to try to help on this very issue, as Mr. Berman knew before, on the issue of IPR.

Ms. WATSON. Well, you can talk to them. They are watching you right now in the anteroom.

Mr. ZOELLICK. And the core issue here is that—and again, I mentioned this in my earlier statement—there are tremendous problems with IPR violations throughout China.



The Chinese say they recognize this as they now move to a knowledge economy, but we still have tremendous problems, particularly in the enforcement area.

In the software area, and I know these industries tend to blur a little bit, there were some important improvements that they made. They agreed, for example, not to sell PCs that are pre-loaded with software, because you have tremendous piracy rights issues here.

But similarly, in the broader issue in terms of the entertainment industry, one of the things that Vice Premiere Wu Yi, who is in charge of all this area, put forward a series of steps which, in a similar way as we have talked on the foreign policy, may look good, but we have got to focus on the overall delivery. For example, special IPR courts, so it is not lost in another process. Setting up 50 locations around the country where you can be able to try to come and bring particular problems on issues. And this is true for small businesses, too, that some of your colleagues mentioned—trademark and other sorts of issues.

So it is an important issue. But then there is a third point that you alluded to, and that I want to draw out.

USTR has also said, trying to use the WTO provisions, that it wanted China to explain how it is using criminal penalties. China is part of this. The work we have done took other steps like destroying optical disks and others. But there is a requirement for being able to use criminal penalties. And China has not yet responded. That is a possibility that I think your constituents may have an interest in about how USTR can try to use the WTO procedures.

And the challenge here, Congresswoman, is you have got these international rules in the WTO. We have to be careful, if we bring a case, that we bring a case that is framed in the basis so you can win, because some of these are generalized language.

I think what USTR has done here is a very, sort of, well-designed approach to try to focus on one element where the case looks strongest if China doesn't respond. And so I think that is how we are trying to use a little bit of the carrot-and-the-stick here in terms of encouraging China to try to take the steps, the type of things that I mentioned, but also say we will use the international legal process in the WTO to pursue it separately if they don't.

Ms. WATSON. Thank you very much. And what I am going to do is respond in writing to you, and let you know what we would like to recommend that might be helpful to our industry here.

And also I will try to clarify what I just said about President Chen of Taiwan, what he told us. And our Committee will be, I guess, contacting you and the Administration as well on that issue of the transit stop.

Mr. ZOELLICK. Well, and I don't know if you heard when I talked to Mr. Rohrabacher, one of my colleagues talked to President Chen yesterday.

Chairman HYDE. Thank you, Ambassador Watson. Mr. Tancredo.

Mr. TANCREDO. Thank you. Mr. Secretary, I do want to pursue this a little farther with regard to what happened with President Chen. And yes, I do understand that Mrs. Bush and other Members and somebody from the State Department talked to him. I

mean, that was in Latin America; that was as a result of everybody being there in the same place for the inauguration of the new President.

The Congress of the United States explicitly authorized the President of Taiwan and any other high-ranking official to visit the United States in Public Law 10346. We have subsequently passed resolutions in this Congress that supported that position.

Could you not have explained to the Chinese that snubbing the President, well, snubbing President Chen in the way we did—and certainly it was, first of all, taking so much time to actually answer their request for permission to transit, then saying that it had to be in either Alaska or Hawaii. And according to news reports, and that is all we took it from, that in fact he would not have been allowed to even leave the plane.

I just wonder, as I say, couldn't we have explained to the Chinese how the Congress would react to the situation, in that we have passed law here, passed legislation that specifically allows for them to do this?

And with regard to the five points that President Chen made in his inaugural speech, and then eventually scrapping the Unification Council. Wasn't that because those five points were predicated upon China never using force or the threat of force against Taiwan? And then, of course, China passed the anti-secession law, which did exactly that. It said that it would use force.

So there was a reason why that happened, and the way it happened. And it still seems to me that it causes enormous problems, and certainly again puts us into a position with China that is not all that clear. And that lack of clarity about our position, vis-a-vis Taiwan, is more dangerous, it seems to me, than anything else.

And when we state that any other situation than the one we are in especially, where it is kind of ambiguous. And when we state our position via law about a President's ability to visit, how can that not be referred to as a reason for allowing it?

Mr. ZOELLICK. First, Mr. Tancredo, I think it is an important point. We don't feel we have a need to explain anything to China on this point, and I am not sure you really want us to feel that we have to explain to China. We make our own decisions on this.

Mr. TANCREDO. Well, it certainly seemed like it.

Mr. ZOELLICK. It is a separate, as a related point, and I think this may be what you are driving at. We certainly emphasize what Taiwan has accomplished as a democracy, as an economy, how the interest really should be to try to create a better relationship on both sides of the straits, including China's obligation to Taiwan to try to have dialogues not only with the opposition party, but also with the governing party.

So it is a distinction, but it is an important one. We don't want to be in a position where we have to explain how we deal with Taiwan's transits or people or economic contacts to China. We do that on our own, within the framework.

But we certainly do encourage China to recognize that this should be something that is in everybody's interest to try to develop a positive relationship with. And for economic reasons, as well as for their own culture and societies.

On the five points, it is my understanding when President Chen made these points in 2000, in his inauguration speech, they said provided China doesn't use force to attack. Now, that may be a summary of it, but China hasn't used force to attack. You were correct about the anti-secession law, and I think that anti-secession law was something we and many other parties criticized. The Europeans criticized it, and that is one of the reasons why they didn't lift the arms embargo. It was not a wise step on their part.

I would also caution, at least from what we understand from the Taiwanese, they do not feel that they have abolished the Unification Council. They used another term for it. Because at least what President Chen has said to us is that his word is good, and that the things that he committed to the United States he has followed up on.

And pardon me if you will, but in the business that I am in, it is very important, if people do give their word, whatever their basis, that they keep it.

And so what I think you see here, and what is going on, is an effort to kind of erode sort of at the edge, and sand it off. And frankly, I think it is a good thing for U.S. diplomacy to hold people to their terms and word.

And in part, this actually goes to the clarity, Mr. Tancredo. One of the things that I have encouraged the Taiwanese to appreciate and recognize, you have a global system that, if anything, the regular interstate relations are becoming less important than some of the private sector opportunities.

There is a golden opportunity here for Taiwan to engage in the global system. But if it keeps trying to revisit the question that the United States made in the late 1970s about a One-China Policy, I think it is going to keep hitting into a wall.

And so there are areas where one can say all right, a question about the World Health Organization, where they can't join the World Health Organization because you have to be a state, by the rules, to do that, which is different than the WTO. But we pushed for observer status, because we said something like Avian Influenza, there is a need to cooperate on these issues. And we pressed China to accept and work with that.

So there is a rich agenda here to integrate China into the global system, to help it get the respect that it is due. Did I say China? I mean Taiwan.

But what one also has to be careful about is that when some political figures who have their own competitive politics—just like we have in this country—decide they want to either change their word, or go back from something, or push the edge of an envelope that could lead to conflict, well then, yes, our Government will respond. But it will respond in a way that explains its business, treats people with respect, as you have encouraged.

But again, it is a transient, Mr. Tancredo. It is coming to a Costa Rican inauguration. I think the very nature of the dialogue that you had suggests that maybe they had some other points in their purpose in mind.

And so we need to be able to work with Taiwan to give it the opportunity, but also recognize we are not going to change that 30-year-old system.

Mr. TANCREDO. Well, I appreciate your response. We will look more carefully at exactly the wording of the statement of President Chen's statement.

But I do think again, going back to the issue of ambiguity, when we welcomed the KMT leader here in Washington, DC, just a few months before, we then snub the President of Taiwan, it does send a mixed message. Or maybe it sends a very specific message that we want to interfere with the domestic politics in Taiwan.

Nonetheless, it does seem to me to be inappropriate.

Mr. ZOELLICK. Mr. Tancredo, just to answer that, if the KMT leader becomes the President of his country, he will be in the same category. It is actually the exact opposite.

In other words, when people aren't government officials, we can talk and we work with them. But when they are the President of the country, under the One-China Policy, it is in a different set of category.

So we try to have contacts with a lot of other lower-level officials in Taiwan. And as I said, we can have them on the economic side.

So I guess what I hope is, I hope we wouldn't discourage the contacts we have with the Taiwanese when they come.

Mr. TANCREDO. No, I just wish they would be uniform, actually. Thank you, Mr. Secretary.

Chairman HYDE. Thank you. And you might want to review the text of what you just said, Mr. Zoellick, on the use of the word "country."

Mr. Delahunt.

Mr. DELAHUNT. Thank you, Mr. Secretary. There was something that Mr. Rohrabacher, and I think Mr. Smith, mentioned in terms of religion. And it provoked a thought in my own mind.

Am I correct that President Bush attended a church service during the course of his visit to China?

Mr. ZOELLICK. He did, as his father did before him. And I was with him in 1989.

Mr. DELAHUNT. Now, I respect the fact that you have a very difficult job, and consistency is difficult to attain sometimes. But I presume that there recently has been a row, if you will, about the appointment of two Catholic bishops that were not approved by the Vatican.

The church that the President attended, was that a state church or an independent church?

Mr. ZOELLICK. Since I wasn't on this trip, I am afraid I just don't know. I am told it was one of the official churches.

Mr. DELAHUNT. It is one of the official churches. I would daresay that—and neither Mr. Smith nor Mr. Rohrabacher are present. Oh, Mr. Smith is here. I am glad he is here.

But I am sure that it would be difficult for some to accept the fact that the President of the United States attended a church service that was conducted in a church that was officially registered with the Chinese Government, and presumably would operate within certain boundaries and parameters. I just make that as an observation.

And in terms of messages and clarity, particularly for many in this Congress, many in this country, freedom of religion has a larger, more full meaning than attending a church service, Christian

presumably, church service in China, in a venue that was sanctioned by the Chinese Government. It is just an observation.

I was going to ask you, but you weren't there, What was the President's impressions of that experience?

Mr. ZOELLICK. Obviously before you came in, Mr. Delahunt, I emphasized the President's own emphasis to the Chinese on the visit before and the visit now about the importance of religious freedom, religious conscience, including pressing on beyond official churches the role of having house services, and having to have people to have their own private education.

So I suppose it is a question of, in a visit, is it good to show the Chinese people that the President of the United States respects religion, practices religion, attends a church? And I have no reason to doubt the religious commitment of the people in that church.

On the question of the Vatican which you referred to, you may be interested in knowing that this is a point where we pressed the Chinese.

Mr. DELAHUNT. Well, I am glad to hear that, Mr. Secretary. But I do wonder if—and I say this respectfully—if the President's attendance at an official church in China sends, at best, a mixed message about freedom of religion, and may be interpreted by many in China as a commitment that is susceptible to manipulation. And again, I say that respectfully.

Back in 2001, what was the amount of American debt that was owned, possessed by the Chinese?

Mr. ZOELLICK. I don't know the precise number, but we could get it for you.

Mr. DELAHUNT. I saw something recently that said \$60 billion.

Mr. ZOELLICK. 60?

Mr. DELAHUNT. 60, six-zero, in 2001 or 2002. And it is my understanding today—

Mr. ZOELLICK. It could be a difference, Mr. Delahunt, between U.S. Government and total debt. That may be the U.S. Government debt figure. Because I think the current—

Mr. DELAHUNT. That is what I mean, the Government. You know, American Treasury notes, Treasury instruments, that about 4 years ago there was around \$60 billion. And that currently it is heading toward \$300 billion.

Mr. ZOELLICK. I think \$220 billion is the number, I think.

Mr. DELAHUNT. 220? Well, there has been a dramatic increase in terms of American Treasury instruments being held by the Chinese Bank. It gives pause, I think, to many that this provides, or could provide, potentially, leverage by the Chinese, since we have such a need to borrow, that this will continue. The numbers will grow, and at some point in time it will translate into political leverage for the Chinese in its bilateral relationship with the United States.

Do you care to comment?

Mr. ZOELLICK. Well, first I will correct it. As of January it was \$262 billion.

Mr. DELAHUNT. Then I was close.

Mr. ZOELLICK. And it is really a mutual inter-dependence, Mr. Delahunt. In other words, just run through some of these ideas.

Mr. DELAHUNT. I understand that, I really do. But I tell you, I would have the Chinese debt in my hands if I were sitting down

discussing issues such as Chinese help or assistance in dealing with North Korea, for example. I understand the mutual relationship; they need our market, et cetera.

Mr. ZOELLICK. It is not just the market, Mr. Delahunt.

Chairman HYDE. The time of the gentleman has expired.

Mr. ZOELLICK. It is if they sold those or other U.S. securities, instead of the idea that they could somehow sort of weaken the dollar, number one, it would devalue the rest of what they are holding.

But secondly, the whole argument about the currency flexibility is it would change the value of the dollar in the rim and be, and then all of a sudden they wouldn't be able to export in the same way that they have.

But it goes to the core point, which is that we emphasize this is where there is an imbalance in the relationship, and why, frankly, on our side, with sort of savings and consumption, on their side in savings and consumption, there needs to be an adjustment. It is primarily done through currency adjustments, and one reason why we have emphasized the need to have greater flexibility in terms of their overall exchange rate.

So it is probably a phenomenon of how we both have run our respective sort of economic situations, and how they engage. And it is an issue that at least is recognized by the Chinese, by President Hu's statements, by the other statements that the senatorial delegation had.

And the question is really now, Mr. Delahunt, kind of the pace of change. And it is a little bit of the three bears here. You don't want it too fast, you don't want it too slow, but you want to have that direction change from what it has been.

Chairman HYDE. Mr. McCotter.

Mr. MCCOTTER. Thank you, Mr. Chairman. Thank you for your service to our country, Mr. Secretary.

It seems to me that much of our China policy is based upon the hope that constructive engagement through trade will lead to a democratization of that country over time. I am not quite so sure that will happen.

My understanding is that the Communist Party rules supreme in China; that they are more important than the government, and certainly more important than the people. Within the Communist system it is the Party, which is why back in the old days we used to deal with Brezhnev and Gorbachev as General Secretaries of the Party.

Does it not seem difficult to believe, then, that if prosperity and stability come to China, we would expect them, as the vanguard of the proletariat that help lead to the establishment of prosperity and stability, to unilaterally determine that their time is over, and that they will become democrats? Because that is a direct risk to the power, the prestige, and the position that they have accumulated over time to the exploitation of the Chinese people.

Are we not in some way engaging in a historical determinism of our own, that over time eventually the richer people get, the more they wish to become democrats? And I am not quite certain that the historical record would bear that out. Because, as I recall, there was a large surge in the German economy after the Weimar Repub-

lic became Nazi, but I don't remember them ever deciding that they were going to voluntarily become democratic.

I have two questions. Do we have a long-term strategic policy to foster and facilitate the transformation of China into a democracy?

And secondly, if we are trading with Communist China on the hopes that they will become democratic and see the abolition of the Communist Party's rule, does that necessarily mean that we can say our policy in China is anti-Communist? And if our policy is China is not anti-Communist, when did the United States cease to be anti-Communist?

Mr. ZOELLICK. First, Congressman, some of the comments here have suggested that we could determine whether China decided to have an economic development and growth policy integrated in the world economy or not.

We certainly could have influenced that over the past 25 years. But an important point to recognize is—

Mr. MCCOTTER. If I can save you time, because I know you are in a hurry, is no, but we can control what we do in terms of facilitating it or not.

Mr. ZOELLICK. That is correct. And that really goes to the second point that I was going to make, which is that over the course of some 25 years we have chosen a course of trying to integrate them into the system

It is precisely why, Congressman, I believed it was important to emphasize we have to say, "Integration to what purpose?"—which was the notion of their responsibility in the system that has benefited them. And that is exactly the venture we are engaged in with them, whether it is Iran or North Korea or Sudan or others, to try to get more positive behavior.

But what I also mentioned is that even though we are interested in China's behavior in the international system, we are also interested in the internal situation in China. And I think there are two points in emphasizing this.

Not only because we believe it is the right thing to do, but because we think it is in their interest. And I emphasized at various points today and on other occasions why their own internal turmoil will be better suited by having a rule of law, not rule by law. While some of the things we talked about in terms of religious freedom, there is clearly a searching of people in this society for something deeper than the economic side. Try to give some chance for people to respond to that.

And similarly, they have started things like village elections. But you are exactly right, Congressman, that at the top of this is still the Communist Party structure. And the Communist Party is a one-party rule.

You will find discussions in China about how they should evolve that over time. But right now, in part because of some of the things I mentioned about their own concern for internal turmoil, I wouldn't expect that they are going to open that up in the near future.

So what it really goes to is a fundamental question. You have raised it. Do you sort of keep your hands off China and say, "1.3 billion people, we won't deal with them, we won't deal with them economically"? You know, set aside the foreign policy interest? Or

do you try to use the power of America, which is quite significant—25% to 30% of the world's GDP, our military power, economic power—to try to structure change? And that is exactly what this is about.

And you know, I think people can legitimately raise questions about whether we will succeed. I can't forecast it.

I will say this, though, when you asked about historical determinism. I used a story when I began about when I lived in Hong Kong in 1980, and there was only one democracy in East Asia. And people in China, in Hong Kong told me East Asia doesn't work for democracy; it is a foreign concept here. By the way, they used to say this about Confucianism and economic development, too, that Confucianism wouldn't allow economic development.

And I made the point then, and I have been borne out true, to say I look all across East Asia, and I see the emergence of democracies. So I do not believe that democracy is foreign to a culture.

Now, there is a question here of whether this party system will adapt, and I don't think any of us can assure you one way or another, Congressman. So it is a question of, What is the best way to try to influence it?

Mr. MCCOTTER. Mr. Chairman, if I can just really quickly do this.

Chairman HYDE. Mr. McCotter, you have 15 seconds.

Mr. MCCOTTER. So then we do not know if our policy of constructive engagement in China is anti-Communist, based on what you have said. And I find that in many ways, they seem to know their interests better than we know our own.

Mr. ZOELLICK. Well, first off, our policy is constructive engagement. It is a responsible stakeholder policy. Secondly, of course we are anti-Communist.

Mr. MCCOTTER. Then that would be the end goal of this policy that we have with China.

Mr. ZOELLICK. The end goal of the policy, Congressman?

Mr. MCCOTTER. The end goal of the current policy with China would then be to see the elimination of the Communist Party as the totalitarian rulers of China.

Mr. ZOELLICK. Of course we want to try to move China toward democracy and non-totalitarian rule. There is no question.

Mr. MCCOTTER. It is a difference between what we want and what our purpose is.

Mr. ZOELLICK. Pardon?

Mr. MCCOTTER. I have hopes and I have purpose. They are two distinct things. Is the purpose of the policy at present to see, over time, the end of the Communist Party as the totalitarian rulers of China?

Mr. ZOELLICK. The purpose of our policy around the world is to try to establish democracy, and freedom, and liberty, and religious freedom.

Mr. MCCOTTER. So that is a yes.

Chairman HYDE. The time of the gentleman has expired.

Mr. ZOELLICK. I don't know how I can answer it more clearly than that.

Chairman HYDE. I want to be very careful here. We had committed to the Secretary that he could leave at 12:15. It is past that.



We have three very distinguished Members that have not asked a question. And I want to ask the Secretary if he could entertain questions on a briefer time frame, on a full time frame, or no time frame. And this is your discretion, sir.

Mr. ZOELLICK. Thank you, Mr. Chairman. I know these people have waited. I have got a big group of people that is actually waiting for me, but if we could do this quickly.

Chairman HYDE. At the risk of presumption, maybe if I could say if we could take 2½ minutes for each, and then perhaps he could answer in writing, if one wants to do it that way.

Mr. ZOELLICK. Or I will try to be short.

Chairman HYDE. Sure. And I am sorry, the order I have is Mr. Royce, and then Ms. Ros-Lehtinen, and then Mr. Barrett. Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman. Mr. Secretary, I would like to follow up on a point you made in your presentation that China was hesitant to interfere in the matter of other states.

And I would like to make a distinction, which I think you would agree to, that the reluctance at the UN level, Security Council level, as we have seen in Sudan, Iran, and other countries, that has been different than Beijing's increasingly active diplomacy in commercial activity where it is interfering on the ground in Africa. We know that China is increasingly active in Sudan, increasingly active in acquiring oil blocs in Africa, competing with American companies, often using tactics there that we disagree with.

And frankly, I hear we were out-manuevered on the ground in Nigeria, for example, by China. And Robert Mugabe's equipment to help repress his people, the source for that is China.

So maybe China professes non-interference, but in no way is it not engaged in the developing world.

And I would like to get back to my original question, which is how do you assess China's role in the developing world, whether it is negative or positive? And are China's policies in the developing world, including our hemisphere, a point of discussion?

I would also just like to know, since the President met with North Korean defectors and Japanese abductees' family members, what the Administration is going to do as a result to press Beijing to meet its international obligations not to forcibly repatriate North Korean refugees hiding within its borders.

The last question I had was about the printing presses in North Korea. I understand that recent reports have implicated China as well through the Bank of Delta, Asia, and Macau. And I wanted to know if there was truth behind those accusations about Chinese involvement there. And if so, how serious this is for you, in terms of the counterfeiting that has been going on for 25 years now through North Korea, and then into Macau.

And thank you, Mr. Secretary.

Mr. ZOELLICK. I apologize in advance, Mr. Royce, if I am very brief on these. We can follow up. I know you have done so much for Africa, and I understand your concern for it.

On the African point, I had mentioned during the course of the morning that I think China's involvement has been heavily economic, for the reasons you said. But the foreign ministry has tried to develop and establish other ties.

I think there is actually an opportunity to urge the Chinese to recognize that some of those links could be done more constructively in terms of transparency and investment. Some of them could backfire on them, if they are not careful. And so I think there can be a greater chance for commonality of policies, recognizing that there is still going to be some differences, particularly on some of the core democracy notions.

I think our presence, as in whether it be Southeast Asia or Africa, the critical thing is not only how they act, but how we act. And here again, I want to compliment you for the work with AGOA so we can have a good economic presence.

You then mentioned the North Korean, I think, refugee issue. It is one that the President particularly raised with President Hu, in the personal case and the expectations that we have in terms of following their international obligations in terms of dealing with refugees. And you saw the reaction we have taken under domestic, the law that you helped pass in recent times.

And then there was a third.

Mr. ROYCE. The last one was the counterfeit of North Korea through Macau.

Mr. ZOELLICK. I don't know of the particulars that you may be referring to, but China has been very sensitive to this. Because—and this is one of the benefits of them coming into the international system—they don't want to have their financial institutions, particularly as they try to bring some of them to market, under any cloud.

And so actually, as the Treasury Department emphasizes safety and soundness, but now it is safety, soundness, and security.

So I think this has actually been an area where, as we have raised these with the Chinese or any concerns about it with tracing North Korean funds and others, I think the response has been rather positive, in part for the self-interest. But if there are some particular items, either we or the Treasury can follow up with you, Mr. Royce.

Mr. ROYCE. I would like to, because they are still washing money through Macau. I appreciate that very much. Thank you for all your good work, Secretary Zoellick.

Chairman HYDE. Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. Thank you, Mr. Secretary, for allowing us this extra minute and a half. I really appreciate the fact that you are willing to meet with us, always.

Many Members of our Committee have already asked what steps the Administration is taking to normalize diplomatic relations with Taiwan, to further trade relations with our eighth-largest trading partner, through a Free Trade Agreement, and to convince China to arrive at peaceful coexistence with Taiwan as friendly neighbors.

I would like to reiterate those sentiments and encourage our Administration to help the Taiwanese people in their plight to further the ideals of freedom and democracy, ideals that are common ideals between our two peoples.

Because of this mutual relationship, our struggle remains to work together for a more democratic and safe world. The United States has always emphasized that the dispute between Taiwan

and China needs to be resolved peacefully. However, as we have seen, China is modernizing its military with the aim of threatening or attacking Taiwan, and preventing the United States from coming to Taiwan's assistance.

So as we fight for the principles of democracy to be recognized throughout the world, we must stand by Taiwan as it seeks to strengthen its young democratic structure, to expand its economy in order to become fully recognized by its Asian neighbors, and to be fully integrated by the international community.

And it was an honor for my city, Miami, to host President Chen during a stop, a few months ago. It was very encouraging to see so many Members of Congress participating from DC into Miami to congratulate President Chen for what he has been doing. It is a shame that we were not able to do so again.

But we look forward to continuing this dialogue with you, Mr. Secretary. And as many Members have said, thank you for your service. We thank you so much.

Mr. ZOELLICK. Thank you, Congresswoman.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Chairman HYDE. Thank you, Ms. Ros-Lehtinen. Mr. Barrett.

Mr. BARRETT. Thank you, Mr. Secretary. In the interest of time, I want to just pose a couple of questions to you, and if you would have your staff get back to me in writing, Mr. Secretary, I would be greatly appreciative.

The first: My Senator in South Carolina, Senator Graham, and rightfully so I think, has been very concerned about the floating currency policy with China. If you can bring me up to date on exactly where we are with that subject. Are we continuing to apply the right pressure? Is China relinquishing some of that ability where it actually floats? Just kind of bring us up to date on that issue.

And the other issue is, of course, the one question that is on the mind of all of my constituents is energy. I think we are closer to \$75 a barrel than we are \$70 ever again, in the long term anyway. And as China competes with the supply and the demand, alliances with certain countries—i.e., Iran—are very concerning to me. If you can kind of give us a brief of what you think the extra pressure on the supply will be in the near and far future, and the possibility of alliances with China and certain other countries that may not be friendly to the West, the implications into the future that could cost the United States.

Mr. ZOELLICK. I will be pleased to do that, Mr. Barrett. And in addition, I will just say that we will also share with you some points I made about the fact that I think that on the energy issue, that China and the United States actually have some common interests we need to encourage.

We are both in a situation, we are big consumers. We need to support non-oil and gas development. And in the most recent 10-year program, China is going to try to move about 20% of its market for renewables. So whether it is nuclear, clean coal technology, or others, we need to diversify oil and gas supplies so we are not dependent on certain choke points.

Strategic petroleum reserves, which we use and they are starting to develop, demand on the efficiency side, China is not as efficient

in terms of use. It is understandable, it is a developing country, but they are moving in that direction.

And then these critical choke points in some of these areas, which really go in a way to the point you and Mr. Lantos are making in different ways, is that they have an interest in not having the major energy-producing areas of the world inflamed with dangerous nuclear proliferation.

Chairman HYDE. Thank you very much, Mr. Secretary, and we appreciate your testimony.

The Committee is adjourned.

[Whereupon, at 12:30 p.m., the Committee hearing was adjourned.]

## A P P E N D I X

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### MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE DAN BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE

Mr. Chairman, thank you for holding this important and timely hearing on China, its resurgence, and what—if anything—the U.S. should do counter China's rise to power. While it has been the policy of the United States since the collapse of the Soviet Union to strengthen the economy of China in order to balance and maintain regional stability, I believe it is time to reexamine our policies, to ensure our continued investment in China is the right thing to do.

The People's Republic of China (PRC) has come a long way from the days of Mao Zedong and Deng Xiaoping and now, with the help and encouragement of the United States in the form of foreign direct investment and trade, instead of relying on the policies of isolationism and protectionism, China has opened up its economy and its culture, bringing prosperity and increased quality of life for many of its 1.3 billion people. We had hoped that by helping to facilitate economic growth in the PRC, China would in turn emerge as a stable economic and strategic partner, but recent trends indicate that, despite the opening of its markets, the Chinese Communist Party still retains a tight grip on every facet of China. It is in this context that we need to reexamine—and perhaps change—our policies toward the PRC, should it continue to pursue what seem to be highly destabilizing policies.

Trade is one area of concern. Many experts have asserted that China has artificially undervalued its currency—by as much as 40 percent—in order to favor Chinese exports. As a result, it is expected that the U.S. will be running a trade deficit with Beijing as high as \$250 billion by the year's end. Additionally, there have been widespread accusations that China engages in “dumping”—the practice of selling its goods on the international market at below cost—and that it exploits its own workers for economic gain. If this is true, it is our responsibility to ensure that we take the PRC to task for unfair trading practices.

Equally concerning, China is also engaged in a slow but steady erosion of the fundamental freedoms of its citizens, and even American citizens working in China. Despite its repeated claims of having improved human rights, the PRC actively arrests and sometimes even executes political dissidents who speak out against the regime. It silences, in a variety of ways, reporters who write articles critical of the regime, and as we all know, the PRC engages in censoring the internet from picking up terms it doesn't want its people to learn about, like “democracy,” “Taiwan,” or any historical facts about the Tiananmen Square massacre in 1989. Much to the dismay of the Congress, the PRC has successfully coerced U.S.-owned internet companies like Google and Yahoo doing business in China to abide by its policy of censorship.

By far and away, however, it is the PRC's massive military buildup that is the most worrisome of China's increasingly destabilizing activities. Over the course of the past decade, China has embarked on a rapid military buildup, moving from a defensive force to a more robust and aggressive one, utilizing complex weapons systems—many of which have been imported from foreign countries including the United States—with a much broader scope. While the PRC insists that dual-use technologies are used strictly for civilian purposes, many experts in the U.S. believe that indeed the PRC exploits these technologies for military purposes as well.

China is actively trying to strengthen the People's Liberation Army (PLA) Navy by arming it with aircraft carriers and fighter planes for those carriers, a clear signal that the PLA plans to travel beyond its usual periphery; and China has even been experimenting with military exercises in space, even as they condemn the United States for employing similar tactics.

This massive buildup of the PLA leaves little doubt remaining as to the PRC's intentions with regard to Taiwan, and indeed, we are left to wonder what else it is planning, given the large-scale escalation of its military.

All of these deeply troubling developments in China, coupled with a lack of cooperation from the PRC on the issues of Iran and North Korea, and its creeping influence into Latin American affairs, have deeply hampered U.S.-Sino relations. This was painfully obvious to all when PRC Premier Hu Jintao came to the United States and, instead of meeting the President first, he chose to sit down with Bill Gates to discuss the issue of piracy and intellectual property. More resulted from that initial meeting than came from Hu's meeting with President Bush, which signals that relations are likely to get worse before they get better.

I believe the United States played a pivotal role in empowering China, and I regret that it now appears as though China is biting the very hand which feeds it. Clearly, our initial belief that China would prove a loyal partner and responsible stakeholder in international affairs was incorrect, and it seems more likely now that we have created another adversary and robust rival instead of an ally.

If China wishes to see continued cooperation with the United States, it will take serious steps toward reforming its trade practices as well as human rights, and work to cooperate with the U.S. on military and diplomatic issues especially with regard to Taiwan. In the meantime, the U.S. should proceed with caution on all PRC-related matters.

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WHITHER CHINA: FROM MEMBERSHIP TO RESPONSIBILITY?

**Robert B. Zoellick, Deputy Secretary of State**  
 Remarks to National Committee on U.S.-China Relations  
 New York City  
 September 21, 2005

*As Prepared for Delivery*

Earlier this year, I had the pleasure of making the acquaintance of Mr. Zheng Bijian, Chair of the China Reform Forum, who over some decades has been a counselor to China's leaders. We have spent many hours in Beijing and Washington discussing China's course of development and Sino-American relations. It has been my good fortune to get to know such a thoughtful man who has helped influence, through the Central Party School, the outlook of many officials during a time of tremendous change for China.

This month, in anticipation of President Hu's visit to the United States, Mr. Zheng published the lead article in *Foreign Affairs*, "China's 'Peaceful Rise' to Great Power Status." This evening, I would like to give you a sense of the current dialogue between the United States and China by sharing my perspective.

Some 27 years ago, Chinese leaders took a hard look at their country and didn't like what they saw. China was just emerging from the Cultural Revolution. It was desperately poor, deliberately isolated from the world economy, and opposed to nearly every international institution. Under Deng Xiaoping, as Mr. Zheng explains, China's leaders reversed course and decided "to embrace globalization rather than detach themselves from it."

Seven U.S. presidents of both parties recognized this strategic shift and worked to integrate China as a full member of the international system. Since 1978, the United States has also encouraged China's economic development through market reforms.

Our policy has succeeded remarkably well: the dragon emerged and joined the world. Today, from the United Nations to the World Trade Organization, from agreements on ozone depletion to pacts on nuclear weapons, China is a player at the table.

And China has experienced exceptional economic growth. Whether in commodities, clothing, computers, or capital markets, China's presence is felt every day.

China is big, it is growing, and it will influence the world in the years ahead.

For the United States and the world, the essential question is—how will China use its influence?

To answer that question, it is time to take our policy beyond opening doors to China's membership into the international system: We need to urge China to become a *responsible stakeholder* in that system.

China has a responsibility to strengthen the international system that has enabled its success. In doing so, China could achieve the objective identified by Mr. Zheng: "to transcend the traditional ways for great powers to emerge."

As Secretary Rice has stated, the United States welcomes a confident, peaceful, and prosperous China, one that appreciates that its growth and development depends on constructive connections with the rest of the world. Indeed, we hope to intensify work with a China that not only adjusts to the international rules developed over the last century, but also joins us and others to address the challenges of the new century.

From China's perspective, it would seem that its national interest would be much better served by working with us to shape the future international system.

If it isn't clear why the United States should suggest a cooperative relationship with China, consider the alternatives. Picture the wide range of global challenges we face in the years ahead—terrorism and extremists exploiting Islam, the proliferation of weapons of mass destruction, poverty, disease—and ask whether it would be easier or harder to handle those problems if the United States and China were cooperating or at odds.

For fifty years, our policy was to fence in the Soviet Union while its own internal contradictions undermined it. For thirty years, our policy has been to draw out the People's Republic of China. As a result, the China of today is simply not the Soviet Union of the late 1940s:

- It does not seek to spread radical, anti-American ideologies.
- While not yet democratic, it does not see itself in a twilight conflict against democracy around the globe.
- While at times mercantilist, it does not see itself in a death struggle with capitalism.
- And most importantly, China does not believe that its future depends on overturning the fundamental order of the international system. In fact, quite the reverse: Chinese leaders have decided that their success depends on being networked with the modern world.

If the Cold War analogy does not apply, neither does the distant balance-of-power politics of 19th Century Europe. The global economy of the 21st Century is a tightly woven fabric. We are too interconnected to try to hold China at arm's length, hoping to promote other powers in Asia at its expense. Nor would the other powers hold China at bay, initiating and terminating ties based on an old model of drawing-room diplomacy. The United States seeks constructive relations with all countries that do not threaten peace and security.

So if the templates of the past do not fit, how should we view China at the dawn of the 21st Century?

On both sides, there is a gulf in perceptions. The overwhelming priority of China's senior officials is to develop and modernize a China that still faces enormous internal challenges. While proud of their accomplishments, China's leaders recognize their country's perceived weaknesses, its rural poverty, and the challenges of political and social change. Two-thirds of China's population—nearly 900 million people—are in poor rural areas, living mostly as subsistence farmers, and 200 million Chinese live on less than a dollar a day. In China, economic growth is seen as an internal imperative, not as a challenge to the United States.

Therefore, China clearly needs a benign international environment for its work at home. Of course, the Chinese expect to be treated with respect and will want to have their views and interests recognized. But China does not want a conflict with the United States.

Nevertheless, many Americans worry that the Chinese dragon will prove to be a fire-breather. There is a cauldron of anxiety about China.

The U.S. business community, which in the 1990s saw China as a land of opportunity, now has a more mixed assessment. Smaller companies worry about Chinese competition, rampant piracy, counterfeiting, and currency manipulation. Even larger U.S. businesses—once the backbone of support for economic engagement—are concerned that mercantilist Chinese policies will try to direct controlled markets instead of opening competitive markets. American workers wonder if they can compete.

China needs to recognize how its actions are perceived by others. China's involvement with troublesome states indicates at best a blindness to consequences and at worst something more ominous. China's actions—combined with a lack of transparency—can create risks. Uncertainties about how China will use its power will lead the United States—and others as well—to hedge relations with China. Many countries hope China will pursue a "Peaceful Rise," but none will bet their future on it.

For example, China's rapid military modernization and increases in capabilities raise questions about the purposes of this buildup and China's lack of transparency.

The recent report by the U.S. Department of Defense on China's military posture was not confrontational, although China's reaction to it was. The U.S. report described facts, including what we know about China's military, and discussed alternative scenarios. If China wants to lessen anxieties, it should openly explain its defense spending, intentions, doctrine, and military exercises.

Views about China are also shaped by its growing economic footprint. China has gained much from its membership in an open, rules-based international economic system, and the U.S. market is particularly important for China's development strategy. Many gain from this trade, including millions of U.S. farmers and workers who produce the commodities, components, and capital goods that China is so voraciously consuming.

But no other country—certainly not those of the European Union or Japan—would accept a \$162 billion bilateral trade deficit, contributing to a \$665 billion global current account deficit. China—and others that sell to China—cannot take its access to the U.S. market for granted. Protectionist pressures are growing.

China has been more open than many developing countries, but there are increasing signs of mercantilism, with policies that seek to direct markets rather than opening them. The United States will not be able to sustain an open international economic system—or domestic U.S. support for such a system—without greater cooperation from China, as a stakeholder that shares responsibility on international economic issues.

For example, a responsible major global player shouldn't tolerate rampant theft of intellectual property and counterfeiting, both of which strike at the heart of America's knowledge economy. China's pledges—including a statement just last week by President Hu in New York—to crack down on the criminals who ply this trade are welcome, but the results are not yet evident. China needs to fully live up to its commitments to markets where America has a strong competitive advantage, such as in services, agriculture, and certain manufactured goods. And while China's exchange rate policy offered stability in the past, times have changed. China may have a global current account surplus this year of nearly \$150 billion, among the highest in the world. This suggests that China's recent policy adjustments are an initial step, but much more remains to be done to permit markets to adjust to imbalances. China also shares a strong interest with the United States in negotiating a successful WTO Doha agreement that opens markets and expands global growth.

China's economic growth is driving its thirst for energy. In response, China is acting as if it can somehow "lock up" energy supplies around the world. This is not a sensible path to achieving energy security. Moreover, a mercantilist strategy leads to partnerships with regimes that hurt China's reputation and lead others to question its intentions. In contrast, market strategies can lessen volatility, instability, and hoarding. China should work with the United States and others to develop diverse sources of energy, including through clean coal technology, nuclear, renewables, hydrogen, and biofuels. Our new Asia Pacific Partnership on Clean Development and Climate—as well as the bilateral dialogue conducted by the U.S. Department of Energy and China's National Development and Reform Commission—offer practical mechanisms for this cooperation. We should also encourage the opening of oil and gas production in more places around the world. We can work on energy conservation and efficiency, including through standards for the many appliances made in China. Through the IEA we can strengthen the building and management of strategic reserves. We also have a common interest in secure transport routes and security in producing countries.

All nations conduct diplomacy to promote their national interests. Responsible stakeholders go further: They recognize that the international system sustains their peaceful prosperity, so they work to sustain that system. In its foreign policy, China has many opportunities to be a responsible stakeholder.

The most pressing opportunity is North Korea. Since hosting the Six-Party Talks at their inception in 2003, China has played a constructive role. This week we achieved a Joint Statement of Principles, with an agreement on the goal of "verifiable denuclearization of the Korean peninsula in a peaceful manner." But the hard work of implementation lies ahead, and China should share our interest in effective and comprehensive compliance.

Moreover, the North Korea problem is about more than just the spread of dangerous weapons. Without broad economic and political reform, North Korea poses a threat to itself and others. It is time to move beyond the half century-old armistice on the Korean peninsula to a true peace, with regional security and development. A Korean peninsula without nuclear weapons opens the door to this future. Some 30 years ago America ended its war in Viet Nam. Today Viet Nam looks to the United States to help integrate it into the world market economic system so Viet



Nam can improve the lives of its people. By contrast, North Korea, with a 50 year-old cold armistice, just falls further behind.

Beijing also has a strong interest in working with us to halt the proliferation of weapons of mass destruction and missiles that can deliver them. The proliferation of danger will undermine the benign security environment and healthy international economy that China needs for its development.

China's actions on Iran's nuclear program will reveal the seriousness of China's commitment to non-proliferation. And while we welcome China's efforts to police its own behavior through new export controls on sensitive technology, we still need to see tough legal punishments for violators.

China and the United States can do more together in the global fight against terrorism. Chinese citizens have been victims of terror attacks in Pakistan and Afghanistan. China can help destroy the supply lines of global terrorism. We have made a good start by working together at the UN and searching for terrorist money in Chinese banks, but can expand our cooperation further.

China pledged \$150 million in assistance to Afghanistan, and \$25 million to Iraq. These pledges were welcome, and we look forward to their full implementation. China would build stronger ties with both through follow-on pledges. Other countries are assisting the new Iraqi government with major debt forgiveness, focusing attention on the \$7 billion in Iraqi debt still held by Chinese state companies.

On my early morning runs in Khartoum, I saw Chinese doing tai chi exercises. I suspect they were in Sudan for the oil business. But China should take more than oil from Sudan—it should take some responsibility for resolving Sudan's human crisis. It could work with the United States, the UN, and others to support the African Union's peacekeeping mission, to provide humanitarian relief to Darfur, and to promote a solution to Sudan's conflicts.

In Asia, China is already playing a larger role. The United States respects China's interests in the region, and recognizes the useful role of multilateral diplomacy in Asia. But concerns will grow if China seeks to maneuver toward a predominance of power. Instead, we should work together with ASEAN, Japan, Australia, and others for regional security and prosperity through the ASEAN Regional Forum and the Asia Pacific Economic Cooperation forum.

China's choices about Taiwan will send an important message, too. We have made clear that our "one China" policy remains based on the three communiqués and the Taiwan Relations Act. It is important for China to resolve its differences with Taiwan peacefully.

The United States, Japan, and China will need to cooperate effectively together on both regional and global challenges. Given China's terrible losses in World War II, I appreciate the sensitivity of historical issues with Japan. But as I have told my Chinese colleagues, I have observed some sizeable gaps in China's telling of history, too. When I visited the "918" museum at the site of the 1931 "Manchurian Incident," I noted that the chronological account jumped from 1941 to the Soviet offensive against Japan in August 1945, overlooking the United States involvement in the Pacific from 1941 to 1945! Perhaps we could start to ease some misapprehensions by opening a three-way dialogue among historians.

Clearly, there are many common interests and opportunities for cooperation. But some say America's commitment to democracy will preclude long-term cooperation with China. Let me suggest why this need not be so.

Freedom lies at the heart of what America is . . . as a nation, we stand for what President Bush calls the non-negotiable demands of human dignity. As I have seen over the 25 years since I lived in Hong Kong, Asians have also pressed for more freedom and built many more democracies. Indeed, President Hu and Premier Wen are talking about the importance of China strengthening the rule of law and developing democratic institutions.

We do not urge the cause of freedom to weaken China. To the contrary, President Bush has stressed that the terrible experience of 9/11 has driven home that in the absence of freedom, unhealthy societies will breed deadly cancers. In his Second Inaugural, President Bush recognized that democratic institutions must reflect the values and culture of diverse societies. As he said, "Our goal . . . is to help others find their own voice, attain their own freedom, and make their own way."

Being born ethnically Chinese does not predispose people against democracy—just look at Taiwan's vibrant politics. Japan and South Korea have successfully blended a Confucian heritage with modern democratic principles.

Closed politics cannot be a permanent feature of Chinese society. It is simply not sustainable—as economic growth continues, better-off Chinese will want a greater say in their future, and pressure builds for political reform:

- China has one umbrella labor union, but waves of strikes.

- A party that came to power as a movement of peasants now confronts violent rural protests, especially against corruption.
- A government with massive police powers cannot control spreading crime.

Some in China believe they can secure the Communist Party's monopoly on power through emphasizing economic growth and heightened nationalism. This is risky and mistaken.

China needs a peaceful political transition to make its government responsible and accountable to its people. Village and grassroots elections are a start. They might be expanded—perhaps to counties and provinces—as a next step. China needs to reform its judiciary. It should open government processes to the involvement of civil society and stop harassing journalists who point out problems. China should also expand religious freedom and make real the guarantees of rights that exist on paper—but not in practice.

Ladies and Gentlemen: How we deal with China's rising power is a central question in American foreign policy.

In China and the United States, Mr. Zheng's idea of a "peaceful rise" will spur vibrant debate. The world will look to the evidence of actions.

Tonight I have suggested that the U.S. response should be to help foster constructive action by transforming our thirty-year policy of integration: We now need to encourage China to become a responsible stakeholder in the international system. As a responsible stakeholder, China would be more than just a member—it would work with us to sustain the international system that has enabled its success.

Cooperation as stakeholders will not mean the absence of differences—we will have disputes that we need to manage. But that management can take place within a larger framework where the parties recognize a shared interest in sustaining political, economic, and security systems that provide common benefits.

To achieve this transformation of the Sino-American relationship, this Administration—and those that follow it—will need to build the foundation of support at home. That's particularly why I wanted to join you tonight. You hear the voices that perceive China solely through the lens of fear. But America succeeds when we look to the future as an opportunity, not when we fear what the future might bring. To succeed now, we will need all of you to press both the Chinese and your fellow citizens.

When President Nixon visited Beijing in 1972, our relationship with China was defined by what we were both against. Now we have the opportunity to define our relationship by what are both for.

We have many common interests with China. But relationships built only on a coincidence of interests have shallow roots. Relationships built on shared interests and shared values are deep and lasting. We can cooperate with the emerging China of today, even as we work for the democratic China of tomorrow.

Released on September 21, 2005

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WRITTEN RESPONSES FROM THE HONORABLE ROBERT B. ZOELICK, DEPUTY SECRETARY OF STATE, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS

*Question:*

*What progress is the Administration making in winning Beijing's support for an affirmative vote in the Security Council to impose economic sanctions on Iran due to Teheran's continued nuclear brinksmanship?*

*Response:*

The U.S. has urged China to work closely with us and other members of the UN Security Council to halt Iran's nuclear weapons program. China has stated publicly that it shares the view that Iran should not obtain a nuclear weapons capability. China voted to adopt the IAEA Board of Governors' February 4 resolution which reported Iran to the UN Security Council. It joined the other permanent members of the Security Council on March 29 in adopting the Presidential Statement calling upon Iran to suspend its enrichment-related activities and fully cooperate with the IAEA. China currently stands with the rest of the UN Security Council plus Germany in supporting a package with incentives for Iran to abandon its uranium enrichment program and possible sanctions if it fails to comply. We continue to urge China, as well as other members of the international community, to use their influence to persuade Iran to change course.

*Question:*

*There were a number of protocol gaffes at the recent, very brief summit meeting held at the White House for visiting Chinese President Hu. Given the priority placed in Chinese culture on protocol, have these gaffes adversely affected Sino-American relations? Are the Chinese still suspicious that the use of the wrong name to announce their country's national anthem was done on purpose?*

*Response:*

The U.S. expressed regret for the protocol glitches, including the mistake made in announcing the PRC national anthem. The Chinese accepted our explanation that these were honest mistakes and have told us that they view President Hu's visit as an overall success, including the several hours of discussions Presidents Bush and Hu held following the South Lawn welcoming ceremony.

*Question:*

*A number of commentators considered the April 20th White House meeting to be merely a photo opportunity, with no concrete agreements between the two Presidents on the trade deficit or the Iran and North Korean nuclear issues. Was that the case? Were insufficient preparations made, or were expectations too high?*

*Response:*

The April 20 White House meetings were an opportunity for Presidents Bush and Hu to engage in substantive discussions on economic and security matters of critical importance to the bilateral relationship and global peace and prosperity.

During his visit, President Hu acknowledged the problems associated with the trade deficit and related economic imbalances. He committed to a long-term structural reform program to help move China from an over-dependence on exports to an economy increasingly driven by domestic consumption. This is of enormous importance in ensuring that China corrects its global trade imbalances and acts as a sustainable engine of growth for the global economy.

Specifically, this structural reform program includes action to boost domestic demand, undertake pension reform to reduce precautionary savings, expand market access, and increase imports. Each of these steps will help to create new opportunities and level the playing field for Americans, as well as further expand trade between the United States and China. President Hu also reiterated his commitment to advance the reform of China's exchange rate regime, the fifth critical element of China's structural reform program and a point emphasized by President Bush in his meetings.

President Hu pledged to strengthen the protection of intellectual property rights (IPR), echoing the commitment made by Vice Premier Wu Yi at the Joint Commission on Commerce and Trade (JCCT), which concluded in the immediate run-up to the Presidential visit. In support of this pledge, the Chinese government took action to close or stop 14 factories from producing illegal optical disks and issued notices that both required the pre-loading of legal operating system software on all computers produced or imported into China and specified that government agencies use only legitimate software. At the JCCT, China agreed to move swiftly to reopen its market to U.S. beef and to make adjustments to allow for increased market access for telecommunications service providers, computer software, and medical devices.

On North Korea, the two Presidents reaffirmed their shared strategic goal of denuclearizing North Korea. President Hu pledged continuing Chinese action to get Pyongyang back to the Six Party Talks and live up to its September 19, 2005 commitment to abandon its nuclear weapons programs. The two leaders also agreed on a common strategic assessment of the situation in Iran and urged Iran to comply with its international obligations vis-à-vis its nuclear programs, as stipulated in a March 29 UNSC Presidential Statement. The latter was unanimously supported by China and the other permanent members of the Security Council. China has since publicly endorsed the package of incentives/disincentives put forward by the five permanent members of the Security Council and Germany (P5+1), and we are exploring with China next steps that should be taken, including further action at the UNSC, if Iran continues to defy its international obligations.

*Question:*

*Why wasn't progress made in the meeting with the Chinese President regarding the enormous—\$202 billion—and ballooning annual trade deficit with China? Is the Administration waiting for Congress to take the lead on this?*

*Response:*

Addressing our trade and economic concerns with China, including the bilateral trade deficit, is a priority for President Bush and the Administration. During his

visit to the United States, President Hu acknowledged China's trade and economic imbalances and pledged to level the playing field for American workers, businesses and farmers. He committed to a long-term structural reform program to help move China from an over-dependence on exports to an economy increasingly driven by consumer demand. This is of enormous importance in ensuring that China corrects its global trade imbalances and acts as an engine of growth for the global economy.

Specifically, this program includes action to boost domestic demand, undertake pension reform to reduce precautionary savings, expand market access, and increase imports. Each of these steps will help to create new opportunities for Americans and further expand U.S. exports to China, which have already grown an average of 20% per year since China joined the WTO in 2001. President Hu also reiterated his commitment to advance the reform of China's exchange rate regime, the fifth critical element of China's structural reform program and a point emphasized by President Bush in his meetings.

In addition, we made measurable progress on key bilateral trade issues at the Joint Commission on Commerce and Trade (JCCT) meetings in the immediate run-up to President Hu's visit. At the JCCT, China agreed to move swiftly to reopen its market to exports of U.S. beef, strengthen intellectual property rights (IPR) protection, and begin formal negotiations by the end of 2007 to join the WTO Government Procurement Agreement. In the area of IPR protection, the Chinese took concrete action to close or stop 14 factories from producing illegal optical disks, and issued notices that both required the pre-loading of legal operating system software on all computers produced or imported into China and specified that government agencies use only legitimate software. China also agreed to make adjustments to allow for increased market access for telecommunications service providers, computer software, and medical devices, and Chinese buying delegations completed contracts in April for the export of more than \$16 billion of U.S. goods and services to China.

Certainly more has to be done to ensure American exporters, workers, farmers and service providers have the same access to Chinese markets as China has to our markets. We will continue to press for follow-through on these and other commitments as well as additional steps to promote greater equity in the trade relationship. We intend to work in coordination with Congress to achieve results that will contribute to continued U.S. economic prosperity.

*Question:*

*Economists estimate that American companies have lost \$3 billion annually due to Intellectual Property Rights (IPR) violations in China, and that this has cost America at least one hundred thousand jobs. We understand that Disney Corporation, for example, has faced additional IPR infringements in southern China following the opening of its new Disneyland Park in Hong Kong last year. What progress has been made in addressing (IPR) violations?*

*Response:*

The Department of State is actively engaged with Beijing at the highest levels to promote and protect American innovation, creativity, and competitiveness in China. I and other senior State Department officials have pressed Beijing to substantially reduce piracy and counterfeiting and improve intellectual property rights protection and enforcement—coordinating our messages with those of our colleagues in other agencies. In addition, through our International Intellectual Property Rights Enforcement Office in Washington, our Embassy in Beijing and our consulates throughout China, the State Department itself has advocated effectively and consistently on behalf of American businesses and entrepreneurs whose intellectual property rights have been violated. The U.S. Ambassador to China hosts an annual Roundtable that puts the critical concerns of American firms directly before senior Chinese government officials and promotes practical solutions. Our Consulate in Shenyang has worked successfully to ensure that government offices in Liaoning province use legal software, and our Consul General in Guangzhou, in southern China, has led business delegations to meet with local officials across Guangdong province—resulting in first-time raids and crackdowns in a number of jurisdictions. We are also working through the State Department's International Visitor Programs to train Chinese IPR officials and company representatives on the importance of IPR protection and successful strategies and models to improve enforcement.

Our engagement has contributed to a number of encouraging developments. During April's meeting of the Joint Commission on Commerce and Trade (JCCT), Beijing reaffirmed its commitment to reduce piracy rates and announced a new requirement that all personal computers manufactured or imported into China be pre-installed with legal operating software. This has already resulted in Chinese pur-

chases of U.S. software, including an agreement by Lenovo, China's top computer maker, to purchase more than \$1.2bn of Microsoft products over the next year. In addition, the proportion of PCs sold in China containing legal copies of Microsoft Windows doubled in the first quarter 2006 as compared to the fourth quarter of 2005.

Vice Minister Wu Yi also pledged during the JCCT to impose criminal penalties against producers of pirated optical discs. And Beijing has agreed to take steps to facilitate the transfer of IPR cases from the administrative justice system to the criminal justice system.

While pleased to note the progress that has been made, we share your view that there remains a long way to go. These positive pledges must be followed up with concrete results. The State Department will continue to use all available avenues to ensure that Beijing meets all its JCCT commitments and obligations under the WTO. We will work together—with Congress, with other agencies, and with like-minded countries—to make that shared goal a reality.

*Question:*

*Many economists believe that China obtains an unfair trade advantage due to the undervaluing of its currency by as much as forty percent. Senators Schumer and Graham report that this has cost the United States three million manufacturing jobs over the past five years. What do you think of their proposal for a 27.5 percent across-the-board tariff hike on Chinese imports if Beijing does not address this issue?*

*Response:*

We believe our bilateral and multilateral efforts aimed at convincing China to move more rapidly toward its recently enunciated goals of a more balanced economy and a more market-oriented approach with regard to trade and currency remains the appropriate strategy.

The Treasury Department has led intensive discussions with the Chinese, at both the senior policy level and at the technical and operational levels, to encourage the PRC to move quickly to an exchange rate that reflects market forces. President Bush raised this issue with President Hu at their April 20 meeting in Washington. President Hu pledged at that time to move ahead with reforms to China's exchange rate system. I have called on China to become a "responsible stakeholder" in the international trading and financial system that has brought prosperity to so many. China has taken some steps to open its economy and to permit its currency to better reflect market forces, but needs to do more. The administration will continue to engage China on this issue and we expect to see further progress.

In our discussions, we have been clear in laying out the consequences of a failure to introduce a more flexible, market-based exchange rate. For China these include continued limits on the effectiveness of monetary policy, boom/bust cycles of growth, and continued weakness of the financial system that leads to a buildup of bad loans. It will also dampen prospects for increased flexibility in other Asian currencies, which would lead to weaker international adjustment mechanisms more generally. The consequences for the world economy and the United States would include making the adjustment of global imbalances more difficult and undermining support for open trade, which could reduce future growth.

We have engaged multilaterally—in the G7, the IMF, the OECD, and the Asian Development Bank—to mobilize international support, and these groups have also called on China to adopt greater exchange rate flexibility. The most recent G7 statement of April 21 stated that in emerging Asia, particularly China, greater flexibility in exchange rates is critical, as are strengthening domestic demand, reducing reliance on export-led growth strategies, and moving forward with reforms to strengthen financial sectors.

*Question:*

*American small business investors, a disproportionate number of whom are ethnic Chinese like David Ji of California, meet insurmountable obstacles in doing business in China. These investors find that Chinese firms make use of local police and judicial authorities to threaten them and criminalize what are basically commercial disputes. Without the rule of law, how can these smaller firms do business in China? Is the State Department making all necessary efforts to gain liberty for our ethnic Chinese citizens like David Ji, who has been held for eighteen months against his will, had his passport seized, and yet has had no formal charges brought against him?*

*Response:*

The State Department has followed Mr. David Ji's case, and other similar cases, closely and is doing everything possible to ensure equitable and humanitarian treatment for American investors in China.

I want to assure you that assisting small- and medium-sized firms to do business overseas and American businesspeople who find themselves mired in disputes is a key component of the Administration's policy, and the State Department takes this responsibility seriously. We work closely with the Foreign Commercial Service to help U.S. firms better understand and operate in what can be a difficult and opaque business environment in China. When any U.S. citizen encounters problems abroad, in China or elsewhere, our Embassies and Consulates, working with the Consular Affairs Bureau, the Commerce Department and others, expend considerable effort to protect them.

On May 29, 2005, Mr. Ji was arrested after having been under investigative detention for the previous six months on charges of financial instrument fraud. Seeing Mr. Ji's case resolved expeditiously is a priority of the U.S. Mission in China. Embassy and Consulate officials have continuously provided assistance to Mr. Ji and have raised his case with Chinese officials. In April, prior to Mr. Ji's formal arrest, the Chargé d'affaires raised the case with the Chinese Ministry of Foreign Affairs and asked that Mr. Ji be allowed to travel immediately. U.S. consular officers in Chengdu and Shanghai have visited Mr. Ji regularly since his detention, most recently on May 16.

How China handles Mr. Ji's case will be an important indication of its commitment to address our concerns about its legal system and adherence to the rule of law, as well as its commitment to open markets, and economic fairness.

We will continue to raise with China the U.S. Government's concern for Mr. Ji's well-being and our expectation that he and other U.S. investors in China be treated in an equitable and humane manner.

*Question:*

*There has been growing rivalry, and even increased animosity, in the past year between the two main powers in East Asia: China and Japan. Rival claims over a chain of islands and natural gas fields in the East China Sea have nearly led to a military confrontation, most recently when a Chinese military vessel reportedly pointed a gun at a Japanese surveillance plane last fall. How close are we to open conflict between the two Asian giants? What is Washington doing to defuse the situation?*

*Response:*

We do not believe that relations between China and Japan are nearing open conflict, but we are concerned about frictions between the two countries and have urged them to open channels for dialogue on outstanding issues. Certainly in our view, China and Japan should focus on areas of mutual interest, such as energy security, safeguarding international trade and investment flows, and combating infectious disease and environmental degradation.

*Question:*

*The leaders of the two greatest powers in Asia—Japan and China—have not held a summit meeting since 2001. They have not met due to Chinese objections to Prime Minister Koizumi's continued visits to the Yasukuni Shrine in Tokyo, which pays homage to convicted war criminals as well as to other veterans. How can key regional issues be addressed when the two regional leaders are not even talking to each other? Does the Administration have anything to say to our own World War II veterans who may be offended by these visits by the Japanese Prime Minister to a shrine honoring Tojo, who gave the orders to attack Pearl Harbor?*

*Response:*

Friction between the countries of Northeast Asia does not serve their interests, the interests of the United States, or those of the rest of the international community. We encourage Japan, China, and South Korea to resolve historical and other disputes among them amicably, and to focus their energies on addressing matters of common concern, such as threats to regional peace and security, potentially unstable energy markets, infectious disease and environmental degradation, and obstacles to international trade and investment flows. I would note that, despite tensions, Japan and China have continued to coordinate with each other, and with the U.S., Russia, and South Korea, as participants in the Six-Party Talks on North Korea. I have urged that the countries look at starting a "track two" dialogue of historians to examine the issues in an constructive light.

We deeply honor the courage and sacrifices of our veterans who fought at Pearl Harbor and elsewhere during the Second World War. Actions taken by the authorities at Yasukuni Shrine in no way change the fact that the Government of Japan has acknowledged, in the Treaty of San Francisco and elsewhere, the validity of the Tokyo War Crimes Tribunal.

*Question:*

*Beijing last year successfully worked behind the scenes with the Africa Group to deny Tokyo its cherished foreign policy objective of a permanent UN Security Council seat. How can the U.S. counter Chinese maneuvering in the United Nations to ensure that our ally and second largest donor to the UN system is granted the seat that it deserves?*

*Response:*

Last year, highly divisive proposals for Security Council expansion were tabled by the African Union and the G-4 (Japan, Germany, India, and Brazil). These proposals would have expanded the Security Council to 26 or 25 members, respectively, including the addition of 6 new permanent members. China strongly opposed both measures. The U.S. also opposed these proposals because we believed such a sizeable increase in the Council would undermine its effectiveness.

Nevertheless, the U.S. continues to strongly support Japan's permanent membership in the UN Security Council, and we continue to work with Japan on a way to achieve that goal. To be successful, Japan will need to work with all Member States, including China, to achieve the widespread support needed. We will back these efforts.

Expansion of the Security Council requires an amendment of the UN Charter; Charter amendments require the approval of two thirds of the UN Member States and subsequent ratification by two thirds of the legislatures of UN Member States, including all the permanent members of the Security Council.

*Question:*

*Some in Beijing suspect that the warming ties between Washington and New Delhi, including the proposed nuclear deal, are a means of encircling China, just as the United States encircled and contained the Soviet Union during the Cold War. Is this the case? If not, why not?*

*Response:*

As I said in my September 2005 speech, it would be a mistake to apply either the Cold War analogy or balance-of-power politics to U.S. relations with China. China, unlike the Soviet Union, does not seek to disrupt or undermine the international system. Rather, it has been assiduously integrating itself into this system for most of the past three decades. Similarly, we and others in this system, including both China and India, face too many common global challenges in this tightly inter-connected 21st Century—from terrorism and proliferation of weapons of mass destruction to energy security and infectious diseases—to profit from the zero-sum geopolitical balancing games of 19th Century Europe. Our foreign policy now seeks constructive relations with all countries that do not threaten peace and security.

With specific regard to the U.S.-India Civil Nuclear Cooperation Initiative, it is designed to promote closer strategic relations with India, advance energy security, and enhance international nonproliferation efforts.

The Initiative is not designed to promote India as a counterweight to China or encourage India's nuclear weapons program. India has a clear strategic interest in maintaining good relations with China, as does the United States. The United States encourages good Sino-Indian relations as important to the continued stability and prosperity of Asia and the world. Likewise, we believe strong U.S.-China and U.S.-India relations help advance our common interests in promoting regional stability and prosperity.

*Question:*

*Beijing has received a great deal of credit for hosting the Six-Party Talks, designed to bring an end to Pyongyang's nuclear development. At the same time, however, China sustains the Pyongyang regime, maintaining a life-line of unmonitored energy, food and other shipments which allows the North Koreans to thumb their noses at the international community. Why can't we engage Beijing to use some of this leverage to end North Korea's nuclear adventurism?*

*Response:*

China has played a valuable role in hosting and actively participating in the Six-Party Talks, which we view as the best forum for achieving a nuclear weapons-free

Korean Peninsula. We have encouraged China to use its unique ties to North Korea to persuade that country to halt its weapons development process, abandon its nuclear programs, and fully implement the September 19 Joint Statement. Ultimately, however, the resumption of the Six-Party Talks and the end to North Korea's weapons program are choices only Pyongyang can make. The United States remains ready to return to the table at any time, without preconditions, to continue discussions on implementing the Joint Statement.

*Question:*

*President Bush met on North Korea Freedom Day last month with a group of North Korean defectors and Japanese abductees' family members. The President said he was particularly moved by hearing the refugee stories. What is the Administration doing, as a result, to press Beijing to meet its international obligations not to forcibly repatriate North Korean refugees hiding within its borders?*

*Response:*

The Administration has been deeply engaged in discussions with the Chinese about their obligations to evaluate the claims of all asylum seekers, including North Koreans, for protection. The United States has urged China to adhere to its international obligations as a party to the 1951 Refugee Convention and its 1967 Protocol, including by: 1) not expelling or *refouling* North Koreans protected under those treaties, and 2) undertaking to co-operate with UNHCR in the exercise of its functions. We have also requested that China not repatriate North Koreans to the DPRK before allowing the UNHCR access to them.

We have urged China to improve the situation of North Koreans. China should consider granting legal status to North Korean spouses of Chinese citizens and their children; urge North Korea to refrain from punishing returnees; and expedite the departure of North Korean asylum seekers currently waiting in diplomatic facilities for resettlement in third countries.

President Bush raised our concerns over the treatment of North Koreans in China with President Hu Jintao during their meeting on April 20 in Washington. We will continue to use every appropriate opportunity in both Beijing and Washington to press China to meet its international obligations.

*Question:*

*Seoul seems much closer to Beijing these days in its own approach to North Korea at the Six-Party Talks and in seeking to address the history issue from the Second World War. Will we soon be asking ourselves the question: Who lost Korea?*

*Response:*

The U.S. and the Republic of Korea (ROK) continue to enjoy a very close relationship, with candid and in-depth exchanges on a wide range of issues taking place daily. This partnership reflects the strong bonds that exist between our two countries, as evidenced by our extensive cultural and economic ties: there are 1.5 million Korean-Americans in the U.S. and 700,000 Korean visitors to the U.S. each year, including 51,000 students—the third largest national group. Korea is our seventh largest trading partner and U.S. firms have invested some \$27 billion in the Korean economy. Our relationship is also based on the shared values of democracy, free markets and the rule of law. We are in the process of updating our security alliance to reflect new global and regional realities; this alliance continues to serve as a critical anchor of the U.S. security posture in East Asia.

Washington and Seoul also are cooperating closely to address the challenge posed by North Korea. The U.S. and the ROK have a shared vision of our fundamental objectives for the DPRK, even though we sometimes differ on the path to take in achieving them. Via the Six-Party process, the U.S. is working closely with Seoul, as well as Tokyo, Beijing, and Moscow, toward the common end of convincing North Korea to get out of the nuclear business and end its self-imposed isolation from the rest of the world. Together with ROK and our other partners, we negotiated the September 19 Joint Statement of Principles that laid out a roadmap for the DPRK to denuclearize and integrate into the international community. The U.S. and the ROK continue to view the Six-Party Talks as the best means for achieving a peaceful and lasting solution to the North Korean nuclear issue.

Tensions in Northeast Asia over history do not serve the interests of our allies, the United States, or other countries in the region. We have consistently urged the countries involved to bridge their differences amicably so that they can turn their full attention to addressing the common concerns they face with us in the region, including North Korea, energy security, infectious disease, environmental degradation, and healthy trade and investment flows.



*Question:*

*What is the current situation with regard to the movement in the European Union to lift its arms embargo against China? Do we accept this action, delayed by the passage last year in Beijing of the anti-secession law, will take place soon?*

*Response:*

The European Union continues to state publicly that it intends to lift its China arms embargo at an appropriate time. However, after discussions with European Union member nations, we do not believe that the EU will move to lift the embargo during the next year. We remain in regular contact with EU counterparts on this issue, for example through a Strategic Dialogue on East Asia initiated in May 2005. In the Strategic Dialogue and through other diplomatic channels we have made clear to the Europeans our concerns about the strategic impact of possible European arms sales to China, as well as our belief that the underlying reason their embargo was put in place—China's human rights violations—remains valid today. The most recent session of this Strategic Dialogue took place on June 14 in Brussels.

*Question:*

*There are those who fear that our engagement with Beijing on such critical issues as the War on Terror and the Iran and North Korean nuclear issues has been undertaken at the expense of Taiwan's interests. Could you please verify that the "Six Assurances" given to Taiwan by the Reagan Administration still serve as a cornerstone of U.S. Asian policy?*

*Response:*

There is no change in U.S. policy, including regarding the Six Assurances. The United States remains firmly committed to our one China policy, the three joint communiqués, and our responsibilities under the Taiwan Relations Act. We do not support Taiwan independence; we oppose unilateral changes by either side to the status quo in the Taiwan Strait. We have long maintained that cross-Strait differences are matters to be resolved peacefully in a manner acceptable to the people on both sides of the Taiwan Strait. We support the expansion of cross-Strait ties, and urge Beijing to extend its outreach efforts to Taiwan's elected leaders.

*Question:*

*Beijing now has the world's third largest defense budget with an estimated fifteen percent budget increase this year alone. Since much of Beijing's military hardware is directed against Taiwan, what does this signify for the balance of power in the Taiwan Strait?*

*Response:*

The U.S. Government is closely monitoring the modernization of China's armed forces, and has raised repeatedly our concern that a military build-up across the Taiwan Strait is not conducive to dialogue toward a peaceful resolution of differences between the two sides.

As China develops new military capabilities, Taiwan is in turn taking actions to offset these changes. We urge Taiwan to implement plans to bolster its defensive capabilities. We believe a strategy in Taiwan that focuses on hardening defenses, enhancing readiness, and increasing overall defense spending is conducive to stability in the Taiwan Strait and we are prepared to provide assistance as appropriate under the Taiwan Relations Act. More broadly, we continue to encourage Beijing to increase transparency on its military doctrine, strategy, capability and spending, to avoid raising the concern of its neighbors.

*Question:*

*Two years ago, Congress enacted Public Law 108-235 "To address the participation of Taiwan in the World Health Organization." This law mandates that "the Secretary of State shall submit a report to the Congress, in unclassified form, describing the United States plan to endorse and obtain observer status for Taiwan at the annual week-long summit of the World Health Assembly (WHA) held by the World Health Organization in May of each year in Geneva, Switzerland." The Congress recently received the legislatively required report which gave a general outline of our approach. Do we intend to meet with representatives of Taiwan to have a dialogue on a more specific strategy before the annual Assembly convenes later this month in Geneva?*

*Response:*

Our position is clear and unchanged: we support Taiwan's meaningful participation in the work of the World Health Organization (WHO), including observer status

at the World Health Assembly. In the run-up to last month's World Health Assembly, we had extensive dialogue with Taiwan representatives on Taiwan's participation in the WHO, consistent with the unofficial nature of our relations.

*Question:*

*Does the decision to offer President Chen of Taiwan only a refueling stop in Alaska during his transit of the United States, which Taipei reportedly rejected, reflect growing Administration impatience with the Taiwan President following the National Unification Council debate of few months ago? Is the Administration sending a signal to Taipei and to Beijing? Are you prepared for a Congressional reaction to this snub?*

*Response:*

The specifics of transits by Taiwan leaders will always vary depending on a range of factors. The Bush Administration's foremost concern is the advancement of the American people's interests in the preservation of peace, stability, and prosperity in the region. Requests for transits by Taiwan leaders through the United States are reviewed per long-standing policy based on the safety, comfort, convenience, and dignity of the traveler.

In keeping with this policy, the United States approved transits through the United States in May for Taiwan President Chen Shui-bian. We respect President Chen's choice to decline our offer in favor of alternate routes through other countries, and we are pleased those other governments joined us in demonstrating support for the people of Taiwan.

*Question:*

*One unrealized fear during the Cold War was the possible emergence of a Beijing-Moscow communist alliance against the United States. Russia and China, however, are now joining together, in the United Nations, in arms sales, and in military training exercises, to counter a unipolar world not to their liking. Is the old Cold War nightmare of a Beijing-Moscow axis directed against Washington now being realized?*

*Response:*

While Russia and China occasionally speak of their relationship as a "strategic partnership," it would be misleading to characterize it as "a Beijing-Moscow axis" or to view it through the prism of the Cold War. The U.S. welcomes stable relations between Moscow and Beijing; the alternative is far worse. Part of their cooperation is natural. They are large countries that share a long, common border, which they have finally demarcated peacefully. Both seek stability in the broader region. Their bilateral trade is expanding (though from a low base—China's trade with Russia in 2005 was still only one-tenth its trade with the U.S.) and both maintain important connections with the West.

Commentators in Russia and China have made no secret of the fact that they would prefer to see a multipolar world, but this does not mean that Moscow and Beijing have joined in an anti-American axis. Their foreign policies are not identical nor do they have symmetrical strategic objectives.

Not all of Russia's and China's interests are coincident. Russia is a net energy exporter, while China is an increasingly voracious energy consumer that seeks to push down global prices. Russia pursues its regional interests, e.g., with the countries of Central Asia, separately from China, both bilaterally and through multilateral fora (e.g., the Eurasian Economic Community and the Central Security Treaty Organization). China does the same in East Asia. There is very little coordination. In fact, on commercial and economic matters, they are often in competition.

Russia and China are looking to bolster the Shanghai Cooperation Organization (SCO), which just marked its fifth anniversary and includes Uzbekistan, Tajikistan, Kazakhstan, and Kyrgyzstan. However, the SCO is still articulating its role, and Moscow and Beijing typically prefer to exercise influence with countries bilaterally. Both Russian and China have centralized, authoritarian governments but, as Secretary Rice has emphasized, Russia today bears little resemblance to the Soviet Union. Nor, after nearly three decades of capitalist-led economic growth, does China resemble the country that Mao so ruinously led. And despite nationalist rhetoric, both countries have more of an interest in maintaining stable relations with the West than they do in challenging the United States. This is particularly true of China, whose spectacular economic growth has depended on a benign international security environment, foreign investment, and the openness of the U.S. and other Western markets.

Russia and China pursue their interests in a variety of international settings and through their status as permanent members of the U.N. Security Council. We have encouraged both countries to play responsible roles internationally.

*Question:*

*Is there any hope, given the international outrage over Darfur, that Beijing can be persuaded to put aside its \$3 billion investment in Sudan's oil and gas industry and join the international community in imposing sanctions on the genocidal Khartoum regime?*

*Response:*

As you note, China has substantial economic investments in Sudan, primarily in the oil sector, and has generally followed its practice of not applying conditionality when trading, investing or providing assistance in a country.

In recent months, however, we have seen China play a somewhat more constructive role on Sudan, particularly at the United Nations. On May 16, China backed a unanimous UN Security Council resolution supporting in principle the transfer of peacekeeping operations in Darfur from the African Union to the UN. China has contributed personnel to peacekeeping operations in southern Sudan and has said that it would consider assisting the UN mission in Darfur as well. Despite its view that sanctions do not work and should not be applied, China, as Chair of the UNSC, refrained from blocking a UNSCR 1672 resolution on April 25 imposing sanctions on four individuals accused of involvement in atrocities. This marked the first time that targeted sanctions, including a travel ban and asset freeze, have been employed since the UNSC authorized such measures in March 2005. On April 11, China backed a unanimous UN Security Council Statement on Darfur.

We will continue to engage with China at the UN and in other multilateral and bilateral fora to urge China to recognize that its long-term goal of energy security cannot be guaranteed through a policy of unconditional engagement with questionable regimes. China's recent actions demonstrate that Beijing can be persuaded to use its considerable influence with the government of Sudan to promote peace and stability throughout the country.

*Question:*

*Deputy Secretary Zoellick, were you trying to send a particular diplomatic signal when you had your picture taken hugging a panda cub during your visit to China in January?*

*Response:*

My visit to the Chengdu Panda Breeding Research Center was one stop on an itinerary that included high-level meetings at the U.S. Pacific Command in Honolulu and with top leaders in Tokyo and Beijing. While in Chengdu, I also had the opportunity to discuss with the governor of Sichuan province the development challenges in China's interior hinterland.

The decision to tour the breeding research center and take a photo with the panda cub reflect my long-time interest in wildlife and conservation issues. They also served as an effective use of public diplomacy to highlight one of many interests shared by the United States and China (e.g., environmental stewardship) and to symbolize the constructive relationship our two countries should aim to build as responsible stakeholders in the international system.

*Question:*

*Does the lack of progress on a whole array of diplomatic fronts—lack of support from Beijing for UN economic sanctions against Iran and Sudan and its failure to end unmonitored assistance to a defiant North Korea—mean that the United States must hedge its relations with China?*

*Response:*

We encourage Beijing to interact with Iran, North Korea and Sudan in a manner consistent with the role China should play as a responsible stakeholder in the international system. I believe our diplomatic engagement with China on the three countries you mention has yielded progress. In each case China has adopted somewhat different approaches. But at the same time its interests—especially as they relate to global peace and security—overlap to a considerable degree with our own.

On North Korea, China has played an important and constructive role in hosting the Six-Party Talks and helped broker the September 19 Joint Statement of Principles. We have urged China to be more forceful in using its leverage with Pyongyang to get North Korea back to the table and meet its obligations.

On Iran, China shares our assessment that Tehran must come into compliance with its international obligations vis-à-vis its nuclear weapons program. China and the other permanent members of the UN Security Council unanimously agreed to a March 29 Presidential Statement calling on Iran to suspend all enrichment-related activity, fully cooperate with the Agency's investigations, and return to nego-

tiations. This followed an IAEA Board of Governors decision in February—which China supported—to report Iran to the UN Security Council for defying its international commitments on the nuclear weapons issue. China has publicly endorsed the package of incentives/disincentives put forward by the five permanent members of the Security Council and Germany (P5+1), and we are exploring with China next steps that should be taken, including further action in the UN Security Council, if Iran ignores the calls of the international community as outlined in the Presidential Statement.

On Sudan, our diplomatic efforts have also met with some success. On May 16, China backed a unanimous UN Security Council resolution supporting, in principle, the transfer of peacekeeping operations in Darfur from the African Union to the UN. As Chair of the UNSC in April, China, despite its longstanding opposition to sanctions, refrained from blocking a UNSCR 1672 resolution imposing sanctions on four individuals accused of involvement in atrocities. This marked the first time that targeted sanctions, including a travel ban and asset freeze, have been employed since the UNSC authorized such measures in March 2005. China has contributed personnel to peacekeeping operations in southern Sudan and has said that it would consider assisting a UN mission in Darfur.

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*Response:*

Beijing's support for regimes in Iran, North Korea and Sudan is clearly at variance with the role China should play as a responsible stakeholder in the international system. Nevertheless, I believe that there has been progress in our diplomatic engagement with China in the three countries that you mention. China has different approaches, certainly, but at the same time its interests—especially as they relate to global peace and security—do overlap in many instances with those of the United States.

On North Korea, China has played an important and constructive role in hosting the Six-Party Talks and helped broker the September 19 Joint Statement of Principles by which Pyongyang agreed to give up its nuclear weapons program. We have urged China to be more forceful in using its leverage with Pyongyang to get North Korea back to the table and to live up to its obligations.

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WRITTEN RESPONSES FROM THE HONORABLE ROBERT B. ZOELICK, DEPUTY SECRETARY OF STATE, U.S. DEPARTMENT OF STATE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE DAN BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA, AND CHAIRMAN, SUBCOMMITTEE ON THE WESTERN HEMISPHERE

*Question:*

*Why wasn't progress made in the meeting with the Chinese President regarding the enormous—\$202 billion—and ballooning annual trade deficit with China? Is the Administration waiting for Congress to take the lead on this?*

*Response:*

Addressing our trade and economic concerns with China, including the bilateral trade deficit, is a priority for President Bush and the Administration. During his visit to the United States, President Hu acknowledged China's trade and economic imbalances and pledged to level the playing field for American workers, businesses and farmers. He committed to a long-term structural reform program to help move China from an over-dependence on exports to an economy increasingly driven by consumer demand. This is of enormous importance in ensuring that China corrects its global trade imbalances and acts as an engine of growth for the global economy.

Specifically, this program includes action to boost domestic demand, undertake pension reform to reduce precautionary savings, expand market access, and increase imports. Each of these steps will help to create new opportunities for Americans and further expand U.S. exports to China, which have already grown an average of 20% per year since China joined the WTO in 2001. President Hu also reiterated his commitment to advance the reform of China's exchange rate regime, the fifth critical element of China's structural reform program and a point emphasized by President Bush in his meetings.

In addition, we made measurable progress on key bilateral trade issues at the Joint Commission on Commerce and Trade (JCCT) meetings in the immediate run-up to President Hu's visit. At the JCCT, China agreed to move swiftly to reopen its market to exports of U.S. beef, strengthen intellectual property rights (IPR) protection, and begin formal negotiations by the end of 2007 to join the WTO Government Procurement Agreement. In the area of IPR protection, the Chinese took concrete action to close or stop 14 factories from producing illegal optical disks, and issued notices that both required the pre-loading of legal operating system software on all computers produced or imported into China and specified that government agencies use only legitimate software. China also agreed to make adjustments to allow for increased market access for telecommunications service providers, computer software, and medical devices, and Chinese buying delegations completed contracts in April for the export of more than \$16 billion of U.S. goods and services to China.

Certainly more has to be done to ensure American exporters, workers, farmers and service providers have the same access to Chinese markets as China has to our markets. We will continue to press for follow-through on these and other commitments as well as additional steps to promote greater equity in the trade relationship. We intend to work in coordination with Congress to achieve results that will contribute to continued U.S. economic prosperity.

*Question:*

*Many economists believe that China obtains an unfair trade advantage due to the undervaluing of its currency by as much as forty percent. Senators Schumer and Graham report that this has cost the United States three million manufacturing jobs over the past five years. What do you think of their proposal for a 27.5 percent across-the-board tariff hike on Chinese imports if Beijing does not address this issue?*

*Response:*

We believe our bilateral and multilateral efforts aimed at convincing China to move more rapidly toward its recently enunciated goals of a more balanced economy and a more market-oriented approach with regard to trade and currency remains the appropriate strategy.

The Treasury Department has led intensive discussions with the Chinese, at both the senior policy level and at the technical and operational levels, to encourage the PRC to move quickly to an exchange rate that reflects market forces. President Bush raised this issue with President Hu at their April 20 meeting in Washington. President Hu pledged at that time to move ahead with reforms to China's exchange rate system. I have called on China to become a "responsible stakeholder" in the international trading and financial system that has brought prosperity to so many. China has taken steps to open its economy and, in this case, to permit its currency

to better reflect market forces, but needs to do more. The administration will continue to engage China on this issue and we expect to see further progress.

In our discussions, we have been clear in laying out the consequences of a failure to introduce a more flexible, market-based exchange rate. For China these include continued limits on the effectiveness of macroeconomic policy, boom/bust cycles of growth, and continued weakness of the financial system that leads to a buildup of bad loans. It will also dampen prospects for increased flexibility in other Asian currencies, which would lead to weaker international adjustment mechanisms more generally. The consequences for the world economy and the United States would include making the adjustment of global imbalances more difficult and undermining support for open trade, which could reduce future growth.

We have engaged multilaterally—in the G7, the IMF, the OECD, and the Asian Development Bank—to mobilize international support, and these groups have also called on China to adopt greater exchange rate flexibility. The most recent G7 statement of April 21 stated that in emerging Asia, particularly China, greater flexibility in exchange rates is critical, as are strengthening domestic demand, reducing reliance on export-led growth strategies, and moving forward with reforms to strengthen financial sectors.

*Question:*

*Some in Beijing suspect that the warming ties between Washington and New Delhi, including the proposed nuclear deal, are a means of encircling China, just as the United States encircled and contained the Soviet Union during the Cold War. Is this the case? If not, why not?*

*Response:*

As I said in my September 2005 speech, it would be a mistake to apply either the Cold War analogy or balance-of-power politics to U.S. relations with China. China, unlike the Soviet Union, does not seek to disrupt or undermine the international system. Rather, it has been assiduously integrating itself into this system for most of the past three decades. Similarly, we and the other major stakeholders in this system, including both China and India, face too many common global challenges in this tightly inter-connected 21st Century—from terrorism and proliferation of weapons of mass destruction to energy security and infectious diseases—to profit from the zero-sum geopolitical balancing games of 19th Century Europe. Our foreign policy now seeks constructive relations with all countries that do not threaten peace and security.

With specific regard to the U.S.-India Civil Nuclear Cooperation Initiative, it is designed to promote closer strategic relations with India, advance energy security, and enhance international nonproliferation efforts.

The Initiative is not designed to promote India as a counterweight to China or encourage India's nuclear weapons program. India has a clear strategic interest in maintaining good relations with China, as does the United States. The United States encourages good Sino-Indian relations as important to the continued stability and prosperity of Asia and the world. Likewise, we believe strong U.S.-China and U.S.-India relations help advance our common interests in promoting regional stability and prosperity.

*Question:*

*Beijing has received a great deal of credit for hosting the Six-Party Talks, designed to bring an end to Pyongyang's nuclear development. At the same time, however, China sustains the Pyongyang regime, maintaining a life-line of unmonitored energy, food and other shipments which allows the North Koreans to thumb their noses at the international community. Why can't we engage Beijing to use some of this leverage to end North Korea's nuclear adventurism?*

*Response:*

China has played a valuable role in hosting and actively participating in the Six-Party Talks, which we view as the best forum for achieving a nuclear weapons-free Korean Peninsula. We have encouraged China to use its unique ties to North Korea to persuade that country to halt its weapons development process, abandon its nuclear programs and fully implement the September 19 Joint Statement. Ultimately, however, the resumption of the Six-Party Talks and the end to North Korea's weapons program are choices only Pyongyang can make. The United States remains ready to return to the table at any time, without preconditions, to continue discussions on implementing the Joint Statement.

*Question:*

*What is the current situation with regard to the movement in the European Union to lift its arms embargo against China? Do we accept this action, delayed by the passage last year in Beijing of the anti-secession law, will take place soon?*

*Response:*

The European Union continues to state publicly that it intends to lift its China arms embargo at an appropriate time. However, after discussions with European Union member nations, we do not believe that the EU will move to lift the embargo during the next year. We remain in regular contact with EU counterparts on this issue, for example through a Strategic Dialogue on East Asia initiated in May 2005. In the Strategic Dialogue and through other diplomatic channels we have made clear to the Europeans our concerns about the strategic impact of possible European arms sales to China, as well as our belief that the underlying reason their embargo was put in place—China's human rights violations—remains valid today. The most recent session of this Strategic Dialogue took place on June 14 in Brussels.

*Question:*

*There are those who fear that our engagement with Beijing on such critical issues as the War on Terror and the Iran and North Korean nuclear issues has been undertaken at the expense of Taiwan's interests. Could you please verify that the "Six Assurances" given to Taiwan by the Reagan Administration still serve as a cornerstone of U.S. Asian policy?*

*Response:*

There is no change in U.S. policy, including regarding the Six Assurances. The United States remains firmly committed to our one China policy, the three joint communiqués, and our responsibilities under the Taiwan Relations Act. We do not support Taiwan independence; we oppose unilateral changes by either side to the status quo in the Taiwan Strait. We have long maintained that cross-Strait differences are matters to be resolved peacefully in a manner acceptable to the people on both sides of the Taiwan Strait. We support the expansion of cross-Strait ties, and urge Beijing to extend its outreach efforts to Taiwan's elected leaders.

*Question:*

*Does the decision to offer President Chen of Taiwan only a refueling stop in Alaska during his transit of the United States, which Taipei reportedly rejected, reflect growing Administration impatience with the Taiwan President following the National Unification Council debate of few months ago? Is the Administration sending a signal to Taipei and to Beijing? Are you prepared for a Congressional reaction to this snub?*

*Response:*

The specifics of transits by Taiwan leaders will always vary depending on a range of factors. The Bush Administration's foremost concern is the advancement of the American people's interests in the preservation of peace, stability, and prosperity in the region. Requests for transits by Taiwan leaders through the United States are reviewed per long-standing policy based on the safety, comfort, convenience, and dignity of the traveler.

In keeping with this policy, the United States approved transits through the United States in May for Taiwan President Chen Shui-bian. We respect President Chen's choice to decline our offer in favor of alternate routes through other countries, and we are pleased those other governments joined us in demonstrating support for the people of Taiwan.

*Question:*

*We hear a lot from the Administration about Taiwan needing to exercise restraint. What is the Administration doing to press China to take a responsible approach to Taiwan? Direct dialogue with Taiwan's duly elected leaders? If Beijing won't, shouldn't we have direct dialogue with Taiwan's leaders?*

*Response:*

The U.S. has long encouraged the development of relations between Beijing and Taipei. Cross-Strait stability is enhanced by over \$70 billion annually in bilateral trade, as well as extensive people-to-people ties. The recent announcement that both sides have agreed to allow a large increase in cross-Strait passenger and cargo flights will further strengthen mutually beneficial ties. We welcomed the PRC's invitations to Taiwan's opposition politicians to visit the Mainland, but also believe, as

we have repeatedly told Beijing, that China needs to engage Taiwan's elected leaders in dialogue to make progress toward easing tensions.

The Taiwan Relations Act has served America and Taiwan well for the past quarter century, allowing us to maintain and develop our unofficial relations with the people of Taiwan through the American Institute in Taiwan and its Taiwan counterpart. We are able to communicate well and effectively with the people of Taiwan and their leaders and have made tremendous progress in expanding our economic and other relations with Taiwan.

*Question:*

*One unrealized fear during the Cold War was the possible emergence of a Beijing-Moscow communist alliance against the United States. Russia and China, however, are now joining together, in the United Nations, in arms sales, and in military training exercises, to counter a unipolar world not to their liking. Is the old Cold War nightmare of a Beijing-Moscow axis directed against Washington now being realized?*

*Response:*

While Russia and China occasionally speak of their relationship as a "strategic partnership," it would be misleading to characterize it as "a Beijing-Moscow axis" or to view it through the prism of the Cold War. The U.S. welcomes stable relations between Moscow and Beijing; the alternative is far worse. Part of their cooperation is natural. They are large countries that share a long, common border, which they have finally demarcated peacefully. Both seek stability in the broader region. Their bilateral trade is expanding (though from a low base—China's trade with Russia in 2005 was still only one-tenth its trade with the U.S.) and both maintain important connections with the West.

Commentators in Russia and China have made no secret of the fact that they would prefer to see a multipolar world, but this does not mean that Moscow and Beijing have joined in an anti-American axis. Their foreign policies are not identical nor do they have symmetrical strategic objectives.

Not all of Russia's and China's interests are coincident. Russia is a net energy exporter, while China is an increasingly voracious energy consumer that seeks to push down global prices. Russia pursues its regional interests, e.g., with the countries of Central Asia, separately from China, both bilaterally and through multilateral fora (e.g., the Eurasian Economic Community and the Central Security Treaty Organization). China does the same in East Asia. There is very little coordination. In fact, on commercial and economic matters, they are often in competition.

Russia and China are looking to bolster the Shanghai Cooperation Organization (SCO), which just marked its fifth anniversary and includes Uzbekistan, Tajikistan, Kazakhstan, and Kyrgyzstan. However, the SCO is still articulating its role, and Moscow and Beijing typically prefer to exercise influence with countries bilaterally. Both Russian and China have centralized, authoritarian governments but, as Secretary Rice has emphasized, Russia today bears little resemblance to the Soviet Union. Nor, after nearly three decades of capitalist-led economic growth, does China resemble the country that Mao so ruinously led. And despite nationalist rhetoric, both countries have more of an interest in maintaining stable relations with the West than they do in challenging the United States. This is particularly true of China, whose spectacular economic growth has depended on a benign international security environment, foreign investment, and the openness of the U.S. and other Western markets.

Russia and China pursue their interests in a variety of international settings and through their status as permanent members of the U.N. Security Council. We have encouraged both countries to play responsible roles internationally.

