

Prepared Statement
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Chairman Berman and members of this committee:

Thank you for giving me the opportunity to testify today.

The past year has, through the unrest in Tibet, the Sichuan earthquake, the Olympic torch run, and other developments, highlighted key realities of China on the eve of the Beijing Olympics.

First, as the government and popular responses to the Sichuan earthquake have demonstrated, relations are evolving between the Chinese state and society. The state has promoted huge changes – urbanization, privatization, marketization, globalization, the information revolution – that have begun to produce the foundations of public opinion and civil society. I was in China directly after the earthquake, and it was obvious that something new is going on, with the communist party explicitly thanking NGOs for their effective assistance and people throughout the country fully caught up in the effort to provide relief to the families devastated by the quake. The communist party is both supportive of greater popular involvement in managing affairs and uneasy about where this might lead. In this context, China's leaders are very focused on maintaining overall social and political stability as they continue to promote the enormous transformations noted above in order to develop the country.

Second, the Olympics have called global attention to China's environmental issues. Put simply, China faces extremely severe environmental problems – even more severe in terms of shortages of usable water for much of the country than in terms of the air pollution that has attracted so much recent attention. Environmental degradation has reached the point where it is producing threats to both sustained high levels of economic growth and to social stability. In North China, home to about forty percent of the country's population, usable water is already extremely scarce and is becoming more of a constraint on economic growth daily. Thousands of protests every year in China directly focus on environmental insults and their consequences. China now desperately seeks both continued rapid economic development to satisfy the expectations of its populace and improved environmental outcomes to make that development sustainable.

China's foreign policy reflects the above domestic realities and seeks most of all to support domestic economic growth and stability. This entails using foreign policy to:

- Assure access to needed resources and markets. China seeks energy security and, where possible, mistakenly pursues this through efforts to purchase oil and gas still in the ground. It is deeply concerned to assure that it will continue to have

- access to international sources of energy and raw materials, given its very poor per capita endowment in most major categories of natural resources.
- Combat foreign forces that threaten domestic stability. This includes cooperating in the fight against international terrorism and taking a very tough line against exiles who seek to achieve a restructuring of the Chinese state.
 - Reduce the perception that the country is becoming a threat. Beijing in recent years has been very sensitive to the reality that its own growth and increasing impact cause other countries, especially in Asia, to worry about Chinese attitudes and ambitions. The PRC has therefore become extremely active in diplomatic circles to promote the development of multilateral institutions in Asia and to create various forms of partnerships with many of the countries with which it deals.
 - Encourage international stability. China constantly asserts that it sees the potential for long term avoidance of military conflict in Asia and that it seeks to promote this outcome. Its willingness to continue to invest on a large scale to develop its most important economic nodes in militarily highly vulnerable coastal areas suggests that it is serious about this expectation.
 - Build the capability to protect China's security interests. The PLA budget has gone up by double digit figures for more than a decade. While part of this is playing catch-up from a period of sharply reduced PLA budgets in the late 1980's and first half of the 1990's and another part is focused on improving salaries and other perquisites for PLA members, there is also serious development of more modern military capabilities. There is a debate in China now as to what types of naval developments should be pursued, given the country's long supply lines for vital energy and other commodities. That debate has not been resolved at this point.

Growing out of the above, in the run-up to the Olympics China has reacted extremely strongly against what it views as attempts by Tibetans and by some Uyghurs to split the country even as it builds ties to Taiwan now that Taiwan has a leadership that does not advocate independence. Beijing is mending some of its fences with Japan and working on building positive support in Southeast Asia. Yet at the same time it reacts with hard edged fury when the Olympic torch procession is challenged by those with political gripes against Beijing's policies.

In all of this, being regarded and treated with respect ("face") is extremely important to the leadership and the public.

I think the Beijing Olympic games themselves are likely to produce three story lines. One is of a terrific Olympics with spectacular venues and great competition, and that is Beijing's top priority. The amount of preparation for these games, both in terms of physical structures and training of support personnel, has been astonishing.

The second story line is of political repression. China's leaders have issued orders to their security forces that no disruptions should occur anywhere in the country to mar the games, and the security bureaucracies are very focused on assuring this outcome. They

have some legitimate concerns, as Interpol and the US have warned of various terrorist threats, and many advocacy organizations have planned for years to generate publicity for their causes via actions at the Beijing Olympics. There will almost certainly be well-founded stories of political heavy-handedness related to security at the games, and a lot will depend on how central these stories are to the overall coverage. China's security forces do not typically handle things very well when they are in the spotlight.

The third story line will concern environmental problems. Here again, Beijing has taken absolutely extraordinary measures to reduce the air pollution that is so much a part of the city and to make overall environmental conditions for the games benign. But there are limits to what can be controlled, especially if unfavorable winds set in. Should athletes drop out of some competitions because of air quality problems or suffer from heat exhaustion or other ailments related to the physical conditions, the environmental story can end up being a major part of the Olympic coverage.

It is too early to know which of these three story lines will emerge as the dominant international impression from the games. This issue, though, may significantly affect the atmosphere for US-China relations in the wake of the Olympics. The Democratic National Convention convenes in Denver just two days after the Beijing Olympics conclude, with the Republican convention following shortly afterward. Very negative coverage of China growing out of the games can potentially force US-China relations onto the agendas of these national nominating conventions.

US government policy in the run-up to the games should continue to avoid rising to the bait to score political points and instead focus on the requirements to make the Olympics an outstanding international sporting event. This includes keeping on sharing our expertise concerning security and effective management of this type of event. Chinese have invested so much pride in these games that efforts by the US government to use the Olympics in order to make political points are almost certain to generate deep resentment rather than quiet agreement among people in China. The USG should continue to pursue the tough issues on the US-China agenda, but should not explicitly tie them to the Olympics.

If the Chinese try to politicize the games beyond the kind of boosterism common to all Olympic host countries, the US should critique that abuse on the basis of the need to keep the games non-political. For example, the Taiwan team will be participating in the Games under the name "Chinese Taipei." The Chinese characters approved to convey "Chinese" here (*zhonghua* – 中华) denote ethnic Chineseness. If Beijing uses a different name, employing a term (*zhongguo* – 中国) for the Taiwan team that conveys that it is "China's Taiwan," that should be the subject of IOC and international concern.

More broadly, the US and China have enormous interests in managing their relationship effectively. In developing policies that are most effective, I think it is important to keep in mind that:

- The Chinese state is authoritarian but also for most purposes decentralized, dynamic, internally competitive, and concerned with how to govern more effectively as China continues its quest for economic development. While economic reforms focus on the types of development models that have succeeded elsewhere in Asia, political reforms increasingly look to China's pre-communist past, seeking in many cases to develop ethics of harmony and social obligation from parts of the Confucian legacy. This legacy can place huge obligations on the state to produce good governance, including providing for social welfare, but it does not contain the fundamental assumptions about people and social obligations that undergird competitive democratic systems. This search for a Chinese path of political reform is, like many things in China, very much a work in progress and a matter of contention domestically. We need to understand realistically the details of China's decentralized, dynamic, entrepreneurial, and internally competitive authoritarian political system and the changes being made in it to develop effective policies to deal with it.
- The most accurate way to view China is as an archipelago of relatively modern islands of over 400 million people surrounded by a third world country of over 800 million people. It has capabilities and problems associated with modern industrialized societies at the same time that it suffers from weak capacity in everything from its social safety net to human capital development to national institutional and physical infrastructure – weaknesses characteristic of a developing country. These two Chinas interact pervasively across the board – and to neglect either one is to fail to understand the problems and prospects that motivate China's policies and shape their outcomes. Helping China build capacity is often an important component of producing outcomes we want to see there.
- Many Chinese are both very much aware of the outside world – for example, wanting to study abroad, keyed into popular culture and developments in other countries – and also deeply nationalistic. There is enormous pride in the rapid development of China over the past three decades and a sense that China is now, after more than a century of bad times, finally resuming a place of real significance and honor in the world. Chinese citizens are deeply conscious of the weaknesses of their own system but also, frequently, very resentful when foreigners point out these problems. They often feel that either the foreign critics are assuming they are too unenlightened to understand the flaws in their own system or that foreign critics' real agenda is simply to humiliate China. In either case, the reaction may make it more difficult to address the problems that foreign critics are highlighting.
- China now desperately seeks both continued rapid economic development to satisfy the expectations of its populace and improved environmental outcomes to make that development sustainable. Efforts to cooperate with China on the environment must take both of these issues into serious consideration or they will not prove effective.
- China's international influence is growing rapidly, especially given its economic achievements, but in many areas China's government is still trying to figure out what its posture should be. It is not correct to assume that China's policies in various areas are rigid and are necessarily the result of strategic planning. Often,

they are cautious increments of past behavior designed to feel their way along as they try to figure out how best to handle the country's increasing capabilities and international obligations. American understanding of this reality can produce better informed US policies that seek to move China in the direction of acting as a responsible stakeholder in the international arena.

US-China relations deal with issues of great importance for both countries, including encouraging balanced growth, reducing the chances of armed conflict, better managing nontraditional security threats, and addressing global climate change. In addition, Asia is the most dynamic region in the world over the coming years, and the US has vital national interests throughout the region. Handling the relationship with China effectively is a necessary component of regional success. I hope the above remarks are helpful to your deliberations about how best to deal with China and look forward to responding to your questions.

Thank you.