The September 11th agenda, the foreign policy and national security agenda, both in the United States and the world, has in many respects usurped what we might call the September 10th agenda. For many of us in the United States, the September 10th agenda dealt with the question of how the United States would engage a rising China, an issue that has received remarkably little attention since September 11. What's interesting, however, is not just to comment on the agenda since September 11, but to look at how the questions that were important before September 11 have interacted, and interacted in complex ways, with the issues since September 11.

China has been one of the most interesting questions here. Over the last seven months China has demonstrated its political maturity in dealing with conditions that are not necessarily in its strategic interests. Yet, after anticipating a period of dramatic increase in American attention, something that has clearly not been the case in the last year and a half, many countries in Asia have come to recognize that China's ability to maintain dramatic economic growth at a time of global slowdown, when other economic players in Asia were badly hurt, suggests that their economic muscle is important as well.

A second point, as we conceptualize Asia, is that Asia and Asians at a strategic level are consumed with questions about predicting power, what we might call "hegemonic prophecy." What states are rising, falling, who's on top, and what are the implications of that? Yet, what a really horrid track record at hegemonic prophecy we have seen in Asia over the last 15 or 20 years. Just a brief history of that prophecy will give you a clear indication why. It was only 16 years ago this month that Mikhail Gorbachev gave a speech in Vladivostok viewed by many in Asia as ushering in a new period of Soviet naval, political and strategic dominance in the region. The idea was that the Soviet Union was going to be a much more powerful player in contrast with the United States, that this was a period of new Soviet dynamism. Looking back, it's laughable, but it was a very dominant theme in Asian analysis and commentary in the years after 1986.

This was followed by a period of tremendous consternation about the inevitable rise of Japan and its transformation from a political and economic power to strategic dimensions. Associated with that was the notion --again-- of inevitable American collapse and decline. It was hard to travel through Asia in the late 1980s and early 1990s without hearing misgivings and even sadness to the tune of "Ah, alas, the United States has had its wonderful period in the sun but that period is over." Now we have a period where, if anything, analysts tend to exaggerate American power dramatically.

The other prediction that in the last four or five years has really come to the fore is the inevitability of China's rise. Asia acts at a strategic level like a giant market in terms of making assessments about political to-ings and fro-ings. The sense that China will be a great power has already animated political and strategic culture throughout the region. So even though, by almost any measurement except population, China is not yet a great power, there is a belief that it will inevitably be one. Behavior has been shaped dramatically to the point that in subtle ways China's influence is perhaps even more dramatic than America's.

The third issue to touch on is that although U.S.-China policy gets the most attention, and there is clearly the most drama associated with relations between Beijing and Washington, in many respects the most important and subtle bilateral relationship for China in the last few years has been with Japan. Here the dimensions for the future are not terribly hopeful. What we have seen in the last couple of years, for a
variety of reasons, is an end to optimism associated with what we might call the great experiment, in which there were leaders -- particularly in Japan but a few in China as well -- who believed that it was important for the two great countries of Asia to develop political, economic and strategic relations that would allow the region to continue in a period of peace and stability. Instead, over the last five to seven years, acrimony, debates about history, and questions about motivations and intentions have left many in both societies quite pessimistic about the ultimate course of relations between the two countries.

Opinion polls in Japan are most telling. If you are younger than 50, your attitudes about China are quite hostile. If you are older than 50, it is still important for Japan to have a strong, good, working relationship with China.

However, what we have seen is that, with the curtailment of loans, with strategic concerns about growing military capabilities in China, with Japan's own desires to break out of its World War II constraints on deployments of its military, behind the scenes there are tremendous tensions that are emerging between the two countries. We often think that China's rise has dramatic implications and possibilities for the United States. Ultimately, long before those are felt by Washington, they are felt in Tokyo. At a time when China is rising and Japan's own psychology has been affected by a decade-long malaise, this sort of potent brew augurs not very well for strategic relations between the two.

Fourth, U.S.-China relations, on the other hand, have stabilized over the last six to eight months, or at least since the EP-3 crisis. They have stabilized, however, at a much lower level. It's almost recognition of the very real strategic differences between the two countries. What we have seen politically in the United States is that divisions over China policy no longer are the issues that divide political parties. Issues about China policy are deeply divisive within the parties, and particularly within the Republican party, where one wing of the party still believes that China is a great market and that "engagement strategically and commercially" is in the long-term best interest of the United States. There is another, much more aggressive, younger wing of the Republican Party that says, "No, China is not the next great market in the United States, China is the next great enemy of the United States." The same forces are at play within the Democratic Party, but nothing like we have seen within the Republican Party overall. This dynamic, playing out as it does inside American domestic politics, suggests that U.S.-China policy is on extraordinarily fragile footing.

What we have seen since September 11 in U.S.-China policy are a number of developments that at some level have to be deeply troubling from a Chinese perspective. One example is the overwhelming political and military campaign in Afghanistan along its border. Then there is the notion of a long-term military presence, again on its borders. There are concerns about encirclement. There is the very effective diplomatic campaign splitting Russia from China, after nearly seven years of China investing substantial political stakes in trying to build an alliance at least subtly aimed at undermining American hegemony. Then, of course, there is the use of September 11th from China's perspective as a precedent for Japan to play a more dramatic military role, something that at root is of deep concern to China. China worries about this coupling with the United States, or worse a new kind of U.S.-Japan alliance that is potentially timed at undermining China's long-term goals and even its own internal stability in dealing with Taiwan.

Fifth, Sino-European relations are fascinating in the sense that Europe is one of the few regions in which you can point to several countries who actually had more active relations with China in the past than they do today. There are a variety of reasons for that. Great Britain had a long association with Hong Kong. With the emergence of the EU, we increasingly see political papers that talk about an Asian policy, or a China policy. Much of that suggests that behind the scenes it is really commercial matters that are at the top of the list. There is remarkably little political content. To the extent that you have various countries maneuvering on China policy in Europe, oftentimes it is motivated largely by a desire to compete with the
United States. It is interesting how these periods of competition coincide with major defense or procurement issues inside China. Ultimately, except for some recent political discourse at the EU level, Europe, preoccupied as it is with the internal drama of its own arrival on the scene, has spent remarkably little time at a strategic level thinking about both Asia and China.

Sixth, as one views this series of bilateral relations between China and the United States, China and Japan, and China and the EU, you are struck by the fact that there is remarkably little Trilateral coordination in terms of thinking about the arrival of China on the international scene. You have to ask yourself the question, why is that? What are the factors that have impeded or undermined Trilateral coordination on this most important issue? The first is that imbued in relations with China are both mystery and secrecy. In U.S.-China relations this is something that is done quietly, surreptitiously even. Many Americans believe that this style of diplomatic engagement is deeply Chinese. In fact, when you actually look at some of the Chinese writings from the 1970s and 1980s, they will say, "Why are we doing these things so secretly and so quietly behind the scenes?" The answer from Chinese leaders is, "That’s the way Dr. Kissinger and President Nixon want it." So some of the dynamic in how our relationship has evolved is that mystery still pervades much of U.S. relations with China.

Each country, in Asia particularly Japan, has sought a special bilateral relationship with China as something that’s important in terms of its own independent foreign policy. In addition, commercial competition, given the size of the Chinese market, has impeded certain political cooperation. There have often been chances for Europeans and Asians to take competitive advantage of tensions in U.S. policy toward China. Europe more recently has been, as I said earlier, more self-absorbed about its own grand experiment. Although the United States shares a very close relationship with Japan on many issues, when you talk closely and carefully to Japanese strategists, to a person they will indicate deep distrust about how the United States handles and conceptualizes China relations. If there is any one issue that could lead to significant problems over the horizon between the United States and Japan, it would be on the issue of China policy, in which Japan does not feel that the United States has its house in order. At a fundamental level, I probably would agree. For the United States, there is a sense that this is something that we have to do on our own. This is what a great power does. And so what's interesting over a 20-25 year period of U.S.-Sino relations is that there has been remarkably little bilateral coordination in advance, and sometimes our closest allies find out things about U.S.-China policy only after the fact.

Where there has been political coordination it has largely been on multilateral or multinational agenda issues, like coordination on land-mine issues, behind the scenes among a variety of countries on global warming, on questions associated with the CTBT. It is here that you might see in the future greater opportunities for coordination. Again, this is not specifically Trilateral, it is multilateral. Fundamentally, China is wary of organizations and institutions where there is the potential of powerful countries ganging up on them. So ultimately their interests are probably not to see the kind of Trilateral engagement that we have talked about. If anything, they would prefer to deal with countries on a bilateral basis, not only to avoid ganging up, but also in a bilateral context it is easier to extract a quid pro quo.

So, fundamentally, what's ahead? At base, one of the things that we are probably all guilty of is overestimating China's power. I believe we will come, in years ahead, to recognize that there are significant problems -- internal problems -- that will keep China very much preoccupied. We have embraced the extraordinarily rosy belief that China will emerge as a power comparable with Japan and the United States in the next five or ten years. Much of our Trilateral discussion today has been about an emerging China. At least some attention has to be devoted to questions associated with potential problems that China might face -- economically, politically, and even in a humanitarian context.

If there are triggering issues that could involve all three countries, one of the most important would be Taiwan. More than anything else there needs to be at least a subtle dialogue between each of the three
major groups, the United States, Europe and Japan, to try to come to some consensus on Taiwan policy and on how cross-straits issues are managed to preserve peace and stability as we go forward.

Ultimately, competition and tension are inherent, not only in relations between each of the Trilateral countries and China, but also among the countries themselves. Ultimately, because of the high stakes associated with China policy, because of the very real differences, both historical and political, associated with China policy, we are bound on these issues to have disparities with one another.

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Kim Ki-Hwan

Our subject this morning is China's place in the world. We are concerned with that subject because China has been rapidly integrating with the rest of the world in recent years. One of the most important events in that regard is China's entry into the World Trade Organization last year.

Any way you look at it, Chinese entry to the WTO was an historic landmark. China has always considered itself the center of the universe. For this reason, China always wanted the rest of the world to join China on China's terms. Yet the Chinese joined the WTO not on its terms, but on the terms of the rest of the world. This is very significant. This is a reversal of a key historical event. Back in 1794, Lord Macartney, the first British envoy, went to China to establish a trade relationship with the Middle Kingdom. The Chinese wouldn’t enter into any discussion until Lord Macartney kowtowed to Emperor Chien-Lung. This time the Chinese didn’t quite kowtow to the WTO, but something similar happened.

In another historical perspective, the Chinese entry into the WTO represents a culmination of the policy of reform and the open door started by Deng Xiaoping back in 1978. For the WTO, Chinese entry means a great deal. Not since the founding of the GATT, predecessor to the WTO, has so large a country as China joined the organization.

The impact of the Chinese entry into the WTO affects trade, investment, and the macro-economy. Economically, it means that over time the rest of the world will reduce the barriers that they had against China because China was a non-member. And on the other side, China must lower its barriers to imports and investments from abroad. This will obviously help Chinese exports do much better in the coming years.

One study done by a group of Chinese economists shows that, as a result of the Chinese entry into the WTO, China will be able to expand its exports something like 27% over the next five-year period. Chinese exports to the world grew 11% per annum between 1995 and the year 2000. Thus, we can expect that Chinese exports will grow for the next five years at about 14%. This will, of course, make China a very important trading partner in the world. With a 4% share in world trade in the year 2000, China was the seventh largest exporter. Economists in China tell me that by the year 2005 the Chinese share in the world trade exports will be about 6.3%, making China probably the fourth largest exporter. This rapid, continued growth in exports will help China grow faster. Chinese economists also believe that this growth in exports will increase the aggregate growth of the Chinese economy by 1%.

Of course, there are down sides to this picture. As Chinese exports grow, the rest of the world will not kindly accept all that expansion sitting down. There will be plenty of trade tensions, not only with the less
advanced countries that will import from China, but also Southeast Asian countries. Those countries have been specializing in the production of exports very similar to Chinese. The Chinese are going to be very frustrated because Western countries call their protectionism trade remedy laws. They couch that protectionism in legal language, which very few of us, except the lawyers, understand. Out of frustration in dealing with trade tensions, China will become a very avid supporter of the multilateral approach to resolving trade problems.

Let's now consider the impact of lowering of barriers by the Chinese themselves. The average tariff rate in China last year was 54%. As a result of Chinese WTO commitments, this is expected to go down to 9.4% by 2006. China is going to remove many non-tariff barriers, including quotas on U.S. wheat, citrus fruits and meat. In addition, China also accepted the Information Technology Agreement whereby the tariff on IT products will be abolished by the year 2005.

What will these changes do? One thing is certain. Most Chinese firms, if not all of them, will find very heavy competition in their own backyard, as it were. In order to survive they will have to restructure. This effort in the short run will increase unemployment, but in the long run that competition will make the Chinese economy far more efficient. The U.S. bargained harder than anybody else in negotiating in terms of China's entering the WTO. As a result, the U.S. will receive more concessions than other countries. This enables me to say that in the coming years the U.S. probably will make more rapid inroads into the Chinese market than other Trilateral countries.

There will be an enormous impact on investment as well. China was already a prominent receiver of investments. From 1995 to 2000, the average inflow of foreign investment into China was about $40 billion, which was equal to 21% of total foreign investment in the developing world. Studies suggest that this figure is likely to become $400 billion by the year 2005. The reasons for this rapid increase in direct foreign investment in China are many. Chinese markets are now open to a far greater degree than before in many service areas, including banking, telecom, insurance, wholesale, retail service, and accounting. So Western countries that have been hesitant in making investments in China up until now will now invest in China.

As investment and trade increases, China is bound to see a great deal of change in income distribution. Generally speaking, the people who are engaged in industries where China has a competitive advantage will do well. They will be the winners. On the other hand, people or resources engaged in the industries where China does not have competitive advantage, for example, capital-intensive, technology-intensive, or land-intensive areas, will become losers. Geographically, people in urban centers on the coast will do well, whereas people in the hinterlands will do much worse. Minorities in China will become losers too, in relative terms, because for the most part they are less well educated and live in remote areas far away from Shanghai or Beijing. The opening of the country as a result of entering the WTO will accentuate the present income disparity between the coastal area and the hinterlands. This, incidentally, explains why the Chinese government is so keen to develop the western region of the country.

Now, let me discuss the impact on society and people. The Chinese economy today is made up of two sectors: the state sector and a market-oriented, private sector. It will be the state-oriented sector that will be really challenged. The market-oriented sector already has the strength to meet competition. What this means is that resistance to further liberalization will come from this state sector. In the future, the ideologues of China, the policymakers, will find opposition to their liberalization policy not outside the state sector but inside it.

As China does more business with the outside world, I think the Chinese people will become increasingly more pragmatic. They are very pragmatic people already. They will become an even more pragmatic people. Thus, the big question that will always be asked with regard to any institution or social
practice is, "How useable is it?" Eventually the Chinese will apply this test to the Communist Party itself. The Party, in due course, will be bereft of the very ideology on which it is based. As China becomes a market-oriented economy you cannot say that social evolution is based on the class struggle. You cannot say that the Party always stands for the interest of the corpus. This means the redistribution of the political power. Power will be redistributed in favor of the provincial and local governments. The structure of society itself will change greatly. China will soon become a society that is not very hierarchical, not with the orders always coming from the top.

In this transition there will be a great deal of confusion with regard to the norms whereby people conduct themselves. This confusion, coupled with the great deal of discretionary power yet in the hands of the Party and the government officials, will give rise to a great deal of corruption. I think we will hear more about corruption. Someday someone will probably quip that PRC stands not for People's Republic of China, but People's Republic of Corruption.

Let me say a few words about the role of China in the world. What kind of role will China play in the world in the next 10 to 20 years? One thing is certain. China will become a new engine of growth for Asia, if not for the world. This is a welcome development, especially because -- for the time being anyway -- Japan has ceased to play that role. There will be a down side too. Southeast Asia will be eclipsed to some degree for the reasons I already mentioned. So much foreign investment will go into China rather than to Southeast Asia.

Another down side has to do with environmental deterioration. East Asia is already the most densely populated part of the world. Hence it's more vulnerable to environmental deterioration. As China becomes the workshop of the world, the environment in East Asia is going to deteriorate. Soon countries like Korea and Japan will have to worry not just about a yellow dust storm this time of the year, but that the yellow dust storm will become a black dust storm. This is not just an issue for China and Japan and Korea. This dust storm will reach the West Coast of the United States. The environment is an issue for the entire world to worry about.

China will become very active as a rule-maker for economic activities. China will become very active in the WTO. As China becomes very active in that role, it will find it necessary to give up one role that it was very fond of playing during the Cold War -- namely, spokesman for the developing Third World. Also, it will be some time before China becomes a net donor of economic assistance to the rest of the world. China has too many requirements to meet domestically. They will not be in a position to allocate many resources to help other developing countries for some time to come.

The key question many people ask is will China become a great military power? My short answer is probably not. Surely as the Chinese economy becomes bigger China will enjoy greater prosperity; they will be in a position to spend more money on the military. On the other hand, we have to remember that the standard of living in China is very low for the country as a whole. There will be many pressing domestic demands. As a result, I think Chinese military spending, currently estimated at about 5% globally, is likely to stay there. It will be in China's interest not to increase military spending, because any move they are going to make on that front is going to be watched very closely by the rest of the world. The rest of the world will become very nervous and will not stand idly by if Chinese military spending goes up.

This does not mean that China will not pay close attention to its security in relation to its neighboring countries, particularly to countries like North Korea. As long as the Chinese feel that their regime is vulnerable to dissenters at home, they will want to keep a government friendly to their system in their neighborhood. What this means is that they will keep North Korea socialistic for some time to come. This is not a comfortable statement from a man from South Korea.
With respect to the Taiwan issue, the Chinese will be discreet enough not to use force to achieve unification by force. The Chinese priority is economic development. As long as that priority stands, we can look forward to China not taking an adventurous route.

Let me conclude and summarize. China is already very integrated with the rest of the world. Chinese exports account for nearly one quarter of their GDP. In fact, in this regard China is more trade-dependent than even the U.S. or Japan. Further, Chinese integration with the rest of the world has reached the point of no return. China has many social problems to deal with internally. And China truly wants to work within the existing international framework. As a result, I don't think that we can say that China is a revolutionary country any more. The Chinese want to work from within the system. Given the growing interdependence between China and the rest of the world, the challenges that China must meet are challenges for the rest of the world as well. What we need -- what the Trilateral countries need with China -- is a greater dialogue to help China solve many of those problems. No effort to contain China will be very productive. China may become a powerful, giant, even disturbing force.

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Yuan Ming

As a Chinese, I really like these two presentations. They are very thoughtful, very balanced, and address reality. They are from very different approaches, but touch upon very crucial issues of concern at home. When asked by the press his feeling about Chinese entry to WTO, Premier Zhu Rongji answered, "You are asking me if I feel happy for that? Not at all." He said, "I am worried about that. I am worried about all those coming difficulties, challenges which we have got to deal with. And it will be a lot of hardships for us, even suffering for us." I think he was very realistic. He is very frank and very open. I share some of his concerns. I will focus on several points that were much talked about during the National People's Congress and also Chinese People's Political Consultative Conferences, which just ended last March.

The first is agriculture. This is really a very difficult area for us, having been a great agricultural country for thousands of years and having more than 900 million people still living in rural areas with very backward agricultural technology. With entry into the WTO, we have to face agricultural imports to China that are the results of very advanced technology. This is not on the same level of competition. How to change this very difficult situation is a big challenge for Chinese leadership. To restructure the whole economic system certainly is the only way out. But the thorniest issue is how. There are so many rural area people. Some provinces -- especially the coastal areas -- may think to just stop the agriculture-oriented economy and transfer to a manufacturing-oriented economy. But how can we relocate all those peasants who are not well enough educated to manufacturing, even on a very low level or small size? So this is going to be a big problem. Then think a step further to immigration, because the rural people, if they can't live up to the new challenge, will seek some new ways to survive. They will move to the urban areas. That will create new problems in the cities.

The second challenge for us, after entry to WTO, is the new functions of the government. Many people in China, especially government officials -- central government, provincial government, even at the city and county level -- have gotten used to the command economy. They get their orders in a very inefficient way. Many of you in this room, dealing with China, know that situation, that bureaucracy, that corruption. That is because they use their power. They have created a lot of corruption.
Take, for example, the textile issue. In the old days, government officials, some of them, used the quota system as part of their power and used this power to make deals with foreign companies and foreign counterparts. Now all this is gone. They have got to respect, to honor, the international regime. So a lot of government officials have to change their jobs. How can we reallocate these people? They are command-economy products with a certain way of doing things totally different from this new situation with WTO.

The third issue is the environment issue. Japanese Prime Minister Koizumi landed in Seoul late last month. He was greeted by a sandstorm from China. We in China suffer a great deal too. Not only that, the shortage of water is a very serious problem. This year will definitely see a drought. It certainly will take a lot of energy and time and money to solve the problem. The city of Beijing already suffers from a shortage of water, not to mention cities inland.

Then there is pollution. Talks at home have already reached a consensus that China at this moment offers no competition in the high technology business to the United States. So let's be realistic. Let's stay in manufacturing-oriented businesses. It's our advantage. However, those kinds of manufacturing-focused industries will definitely create more serious pollution. How can we deal with that?

Fourthly, HIV-AIDS is a problem. The Brookings research paper, "China and the HIV Crisis," really touches upon the issue, which we are very much concerned about, spreading the disease. In the past, HIV just came across the border from the southwest areas like Thailand. Nowadays, we have found that the Old Silk Road, which links China to the northwest, especially from the Central Asian countries, the Fergana Valley, has brought in the disease, and it is spreading very quickly in the northwest region and the hinterlands of China. The Brookings research mentioned that by the year 2010, 20 million Chinese will be hurt by this terrible disease. We pay much attention to that.

Fifthly, of equal importance, the disparity of incomes also rates a lot concern at home and a lot of debate during the People's Congress. I am a member of the Foreign Relations Committee, but we didn't talk foreign relations that much. We talked of this disparity of incomes. It will cause huge problems, social and political, at home. By saying that, we are now very much focused on our domestic agenda, because these problems raise a very big challenge for the incoming leadership.

These two presentations also reach quite similar conclusions. That is, where we talk about the impact of a rising China, we have to think of another scenario -- that of a failed China and its impacts. This is a realistic point of view. We have to think about it seriously. I don't mean that there are no encouraging signs. There are many. Just to give you some examples -- reform in the political dimension has already started. We do that without calling it that, because it's still sensitive at home. The city of Shenzhen, very close to Hong Kong, our special economic zone created by the reform leader Deng Xiaoping, decided this year it would start a political reform experiment. That means they will minimize the role of the government, certainly the role of the Party, and give the sectors -- the business community, the private sector -- more autonomy to deal with problems. Two years ago at a Trilateral meeting in Japan I told you that when I traveled down to Shenzhen a local leader told me, "Why don't you pass our suggestion to those people in Beijing, that since we have been so successful at the special economic zone, why don't we start a special political zone?" That was two years ago, and now people have really started to put it into practice. Conditions are ripe. People are ready. The leadership there is very open-minded. They think big, and also the education level is quite high. So this is encouraging.

A second example is that there is some new thinking about reforming the Party. I have a very close friend who was a diplomat stationed in Europe for more than 28 years, our Former Ambassador in Berlin. He just returned to China after ten years -- eight years in Europe. His job is as the Central Party Reconstruction Advisor. It's new. He addressed a group of senior Party people. He raised a very interesting question. He said, "What do you think is the biggest enemy of the Chinese Communist Party?
The United States? Japan? The biggest enemy of the Chinese Communist Party is the Chinese Communist Party itself." These kinds of remarks come from the top level and are very encouraging signs.

There are also rapidly spreading areas of freedom of speech, sponsored not by the government, but by the private sector, by those successful in the business community, and by many just-returned students from the United States and Europe and Japan. They are very determined to encourage new voices, to create magazine journals, which I think is very healthy.

All these are encouraging signs. Let me offer a few words on foreign relations. Generally speaking, China’s relations with the Trilateral countries are okay, especially U.S.-China relations. After the EP-3 incident last year, and especially after September the 11, President George W. Bush's two trips to China helped to stabilize the relationship. The American military presence in Central Asia caused some concern at home, but at the policy-making level I simply don't feel there are big suspicions or worries about that. What I have heard is that along the border of China and Afghanistan, right after September 11, we deployed quite a number of troops -- young soldiers -- to block al Qaeda and keep them out. It was in support of U.S military activity in Afghanistan. Doing that was not easy. Think about the weather conditions, the high altitude. Those young boys are suffering there. But they are assigned there. It's their duty. I would say that we put in a lot of money into that deployment.

The only problem so far, and the biggest one, is Taiwan. There is no doubt about it. There is a very senior person at home who keeps telling me, "Yuan Ming, remember that with the United States we have all things in common except Taiwan." I ask him, "Including human rights?" He says, "Yes, including human rights." So I think it's encouraging. We have got to think strategically and broadly and also still be very sensible about Taiwan. How should we deal with that? Certainly it will take a long time. I would like to see this issue solved in a peaceful, very sophisticated way. It needs a lot of effort, of course.

By saying that, one thing I would like to point out is that in domestic politics especially, the younger generation who survived the Cultural Revolution might be more aggressive, motivated by a very nationalistic mood. That's why after the bombing of the Chinese Embassy two years ago in Belgrade and also after the EP-3 incident, our foreign ministry sustained a lot of criticism and attacks, especially from the young people. Sometimes our foreign ministry received a package of calcium, which means, "You people have very weak bones. You've got to get some more calcium." In China this is a term meaning being soft to foreigners, something evil, like kowtowing to foreigners. This puts our foreign ministry under very heavy pressure. This is domestic politics. We have got to work with it.

In conclusion, I will say the Trilateral countries will have to live with a China under profound economic, political and social change. The challenges are enormous. There is no other way out in this age of globalization and interdependence. I still remember that the 1994 Trilateral Commission report, "An Emerging China in a World of Interdependence," greatly helped Chinese leadership at home to understand the engagement policy of the Trilateral countries. Hopefully, these efforts will continue to join and shape the future of China and the future of the world in a positive way.

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DISCUSSION

Kim Kihwan on Kurt Campbell's Remarks: What can we expect to gain by exercising what has been called Trilateral engagement with regard to China? It seems to me that the only effect of this would be to make China paranoid, except that she would have a real enemy. So there is not anything that we can gain from Trilateral engagement unless we want to antagonize China from the outset. I am not speaking of the normal kind of maneuvering that is involved whenever nations negotiate with each other. I am sure there
is a great deal of this going on in the way that we approach China. But Trilateral engagement as a structural idea is a somewhat dangerous notion.

With regard to China's future, the paper presented by Dr. Campbell suggests two possibilities: The rise of China, meaning the emergence of a strong China; and then the possibility of a weak China. The strong China is stable internally and is strong enough to challenge the Western powers. A weak China would not be able to challenge external powers and will be divided internally, from which consequences may flow. What if it's not going to be either of these -- strong China or weak China? It's somewhere in-between: a China that is not so strong as to cause a strategic challenge to the supremacy of the United States, nor so weak as to be divided internally and become a failed state. On the contrary, China would gain -- continue to gain -- strength, but without coming to the point where she will move to replace the United States as the global imperial power.

The hegemonic trends that the paper speaks of are quite theoretical, it seems to me. I wish to offer the following three observations. Number one: Most of the major challenges that China faces, if not all, are domestic in character. Professor Yuan Ming has made this quite clear. Second: China's relations with its neighbors have never been as good as they are today. In looking at China from the Korean perspective also, we find our relations with Beijing better than they were before, more constructive, and more beneficial to both sides.

Finally, we are using the word "power" somewhat carelessly, it seems to me, when we ask ourselves whether China's power is greater or less than the U.S. power. Simple-minded people project current trends mechanically and in linear fashion, and after so many years they arrive at the conclusion that China is now ahead of the United States in terms of power. Apparently, those who engage in this kind of analysis tend to see power as physical, measurable, and in narrow military terms. In fact, we find China's ability to influence life among the people around her comes from her cultural resources. I think much of what we understand to be Chinese influence in our part of the world is derived from the fact that both we and the Chinese share a common cultural tradition. I don't mean to suggest that we should therefore ignore military power. All I am suggesting is that the notion of power is more complex than we often tend to think.

**Kurt Campbell on the Japan-Sino Relationship:** There are powerful interests that essentially keep the Sino-Japanese boat afloat. There is an extraordinarily dedicated and strong group of Japanese leaders in Japan, primarily, that were devoted to the notion of a dramatically improved relationship between Japan and China. The high-point of that was the late 1980s and the 1990s. My own personal view is that the optimism in this camp has been substantially drained. What's interesting is that the Japanese officials and strategists somehow believe that the dynamics in Japan affecting the China relationship are dramatically different from those in the United States. Yet what we're starting to see in Japan, in many respects, is a microcosm of the domestic dynamics in the United States. You have a weakening foreign policy establishment increasingly under siege by domestic critics. You have a Diet that is cacophonous at best, with strong elements that support Taiwan for historical reasons and also because of common cultural issues. You also have a very powerful business community that, as in the United States, sees a strong interest in engaging with China. I would suggest to you that over the next decade you are going to have the same divisions inside Japan about China that we have. The period of relative consensus is at an end. I also believe that the entire basis by which Japan sought to engage China was -- I recognize that it's difficult for Americans to use this context -- Big Brother-Little Brother, initially. That period is over. China, in the way it interacts with Japan says, "We're not a little brother any more." Psychologically, that will be difficult and challenging for Japan.

Secondly, Trilateral engagement: what is it good for, fundamentally? The answer is that there are remarkably few issues on which Trilateral engagement will suit all of our purposes because of the
Chinese fear being ganged up on and encirclement. Ultimately, a series of intense bilateral engagements with China are perhaps the best way to think about how Asia will evolve. Many people look at the dynamics of multilateralism in Asia and assume that there will be a process in Asia similar to that in Europe. In fact, that's not what is going to happen. What we are going to have in Asia is a dramatic increase in bilateralism with numerous, hundreds of bilateral contacts, going on simultaneously. That competitive bilateralism has a potential stability associated with it.

How do we manage this? Again, the only answer from the perspective of the United States is deep sustained engagement, and not favoring one mode of dialogue over others. Bilateral relationships are obviously key ones, but we are going to need to have more discussions, more strategic engagement across the board. I don't think that's going to be very easy. Some level of military to military ties is absolutely in U.S. national security interests. It is clear that we learned a lot and we gained tremendously from some of those discussions. I also believe that is in the past. There is no political consensus in the United States, and, indeed, no support in this Administration, for moving ahead on those kinds of dialogues. There is a fundamental desire to avoid those kinds of engagements. One reason is the political attacks that you would sustain inside the United States, particularly in Washington, from opponents of China. Remember, for many the "Axis of Evil" speech was a very bitter occurrence because it included only three countries and not four. Many conservatives felt that the fourth country should have been China, which would have been provocative and completely counter to U.S. strategic interests overall.

We used the term the "lost decade," -- it's often applied to Japan -- to describe a decade that just went awry. It could equally be said of ASEAN, frankly. The 1990s were followed by a substantial malaise, both politically and now economically. At a very basic level, China has taken Southeast Asia's measure, looked them in the eyes, and said, "We can compete with you economically. Your period of being able to dominate us at higher levels of the manufacturing spectrum is over. To survive you are going to have to do business with us at a strategic level, and you are going to have to find niches in other small areas to complement us. We will only let you complement us if we can work together in ways in which we are of internal divisions within ASEAN, the rise in the dominance of China, because Japan's interest in Southeast Asia, which was once very strong, has frayed, and, until very recently, American disinterest, the next decade for Southeast Asia is going to be enormously difficult and not very rewarding." The only thing worse than having the United States ignore you is for the United States to focus on you, particularly when it is focused through one narrow prism -- al Qaeda -- which is what's going to happen now in Southeast Asia.

Kurt Campbell on the European-China Dialogue: There has been a variety of what we might call low-level discussions about global issues, transnational questions, which are fundamentally healthy. In terms of the numbers of people in Asian bureaus and foreign ministries, the numbers of high-level dialogues, overall those have not increased much. With a very full political agenda inside Europe, there has not been as much high level attention to Asia. In fact, there were high hopes for a European-Asian dialogue for the 1990s, but almost everyone in Asia would say that they are disappointed at the lack of focus throughout Europe.

Kurt Campbell on U.S.-China Strategic Dialogue: Strategic dialogue between the United States and China has been tried many times in the past. The decision of this administration is to take a different tack, at least early on, of strategic neglect. We are not going to focus on China. We are going to keep them at arm's length. We are not going to be the ardent suitor. If China wants to talk with us, we are going to let them approach us. It's very similar to what they saw as the Shulzian dynamic of the 1980s.

The consequence of this has been interesting, because overall China has been more anxious to begin dialogue with the United States. For instance, the Chinese leadership has said they would love to have a strategic dialogue on nuclear issues. Yet in the last five years they have resisted that at all costs. The
lesson here is that for those who wanted to treat China as an equal with great respect, because China's desire, basically, to say, "Aha! You want the relationship more than we do, we have the leverage over you," unwittingly undercut the engagers in the American diplomatic context.