

# Washington Report

## China's View Of Its Own Rise Creates Tensions In Bilateral Relations, Causes Worry In Asia

Prof. David M. Lampton

*Are the United States and China on a collision course? President Obama entered office committed to engaging China in dialogue aimed at resolving economic and diplomatic challenges in a reasonably amicable manner. Beijing's more assertive behavior in Asia and the sometimes harsh, anti-American rhetoric emanating from the certain quarters suggest that the Chinese political elite have a very different view of what is best the country and how relations with Washington should be managed.*

*Prof. David M. Lampton of Johns Hopkins University explores the political, economic, and historical factors that more recently have escalated tensions in bilateral relations and caused growing concern among China's Asian neighbors. The [full interview](#) also is available.*

**USAPC:** For the past couple of years, China has pursued its economic, diplomatic, and security-related interests in an increasingly assertive – some would say aggressive – manner, leading to growing tensions in US-China relations. To what do you attribute China's behavior?

**Lampton:** China's behavior has been influenced by a combination of recurrent patterns, miscommunication, and the PRC's rising power. History suggests that both countries tend to test each other when there are changes of administration, particularly in the United States.

Since President Nixon's trip to China in 1972, bilateral relations have been series of compromises on various issues, not least Taiwan. When a new US administration

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## Congress Targets China's Currency Policy, Trading Practices In Election Run-Up

In coming weeks, US lawmakers in at least one house of Congress very well could follow through on past threats to pass a bill aimed at forcing China to revamp its currency policy. On a separate but complementary track, Members of the House and Senate also are pursuing the development of sharper trade enforcement tools to combat China's alleged unfair trading practices. Both efforts are aimed a redressing the negative impact of China's behavior on the US economic recovery, more generally, and on the job-creating potential of American companies, in particular.

While these complaints about China's currency and trade policies are not new, the still high levels of US unemployment – and widespread anti-incumbent mood at the Ameican grass roots – undeniably will compel lawmakers to tackle these issues with greater urgency in the run-up to the November 2 elections. Some congressional insiders, in fact, anticipate that the House will vote on a China currency bill before its target adjournment on October 8. Senate action on [similar legislation](#) is not inconceivable.

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enters office, the Chinese want to test whether it will modify those earlier compromises in ways more favorable to the PRC. And, in fact, sometimes Washington does the same thing to Beijing when it senses opportunity.

For instance, while campaigning for president, then-candidate Ronald Reagan indicated that he did not care for the Taiwan-related provisions of the agreement concluded by President Carter's administration to normalize relations with China. After Reagan entered office, he tried to test the extent to which the Chinese would tolerate an upgrade in US-Taiwan relations. For its part, Beijing tried to test how far President Reagan would go in agreeing not to sell weapons to Taiwan. The result was the August 1982 Communiqué, which has had a checkered history ever since it was negotiated.

There was a similar pattern during the early years of the Clinton Administration. President Clinton tried to tie trade benefits to a commitment from China to improve its domestic human rights practices. Candidate Clinton had accused President George H. W. Bush of having coddled dictators in Beijing. After a period of conflict, the Clinton White House backed off this attempt to link trade and human rights. The point is, when there are new US administrations, either Washington or Beijing will try to test the possible limits of the other.

Not surprisingly then, when President Obama entered office in January 2009, the Chinese government wanted to test whether the new president would have the same commitments as President George W. Bush with respect to Taiwan, maritime issues in East and Southeast Asia, and visits to this country by the Dalai Lama.

President Obama appropriately wanted to go to China during his first year in office in order to establish a good human relations foundation with President Hu Jintao. With this very sensible goal in mind, President Obama deferred taking action on such sensitive issues as weapons sales to Taiwan and the Dalai Lama's visit until he had a chance to meet President Hu and begin to build some goodwill. The hope in Washington was that when Obama finally acted on these issues there would be some understanding in Beijing and bilateral relations would not be overly affected.

Unfortunately, Chinese leaders perceived the decision of the new American president initially to defer action on these issues as a possible lack of commitment to be tested. I understand that when President Obama visited China in November 2009, he told President Hu directly that he would proceed with arms sales to Taiwan and meet the Dalai Lama

in the latter's capacity as a religious leader.

Beijing's reading was a huge mistake. Anyone who understands the Taiwan Relations Act and US congressional politics knew that Washington was going to sell weapons to Taiwan and that President Obama was going to meet the Dalai Lama. The only question was when all of this would happen and which weapons would be sold. In a purely political sense, Beijing invested far more "face" in these issues than there was any realistic chance of recovering.

In reality, though, the Obama administration to some extent may have set the stage for this misunderstanding early in 2009. During Secretary of State Clinton's first overseas trip to Asia in February 2009, she stated very clearly that US policy priorities would be security, global economic stabilization, and climate change, indicating that other things were of lower priority.

From my interviews in China it seems that the Chinese mistakenly thought they could achieve some of their long-standing concerns in view of the priority placed on security, global economic stabilization, and climate change by the new administration. While I agree with Secretary Clinton's specification of US interests, I think it also is important to bear in mind that when you make a list, inadvertently you

may be signaling to the other guy, "I care less about other things not mentioned."

Beyond testing and miscommunication, probably the most important factor influencing

China's behavior is that its comprehensive national power is greater than ever before in modern history. Many in China perceive outside powers – including the United States – as gradually becoming less dominant. Some quarters of the Chinese leadership, particularly in the military, and certain segments of the public are inclined to believe that a strong China need not put up with all of the "indignities" it had to swallow when it was far weaker.

So, what we have here is a pattern of testing, some miscommunication, and a somewhat shifting power balance.

**USAPC:** Please elaborate on China's own view of its growing power and the forces below the surface that appear to be shaping relations.

**Lampton:** The Chinese believe they're becoming stronger and, indeed, they are. Figures released in mid-August indicated that China's total GDP had passed that of Japan. As one Chinese said to me, "We got to the center of world politics 20 years faster than we thought we would."

Generally speaking, the Chinese tend to look at life as an ongoing negotiation. When the strength of one party is perceived to have diminished and the strength of another party increases, it's very natural for the Chinese to think they're entitled to renegotiate some earlier agreements that no longer reflect the current distribution of power as they see it. Such agreements would include US policy toward Taiwan or the Dalai Lama. The Chinese attitude appears to be, "Now that we're stronger and the Americans owe us around \$1 trillion in debt, maybe the Americans will be more considerate of our interests."

Finally, as a corrective to a simplistic power analysis, I also think that China's behavior has been influenced by domestic politics. Hu Jintao presumably will move toward the sidelines in 2012.

In this setting of competitive domestic politics in China, no one wants to be perceived as being weak on the Americans. That's not how you "run" for General Secretary, President, and Chairman of the Central Military Commission in China.

Consequently, we're not at a particularly good moment in US-China relations, but I think some people are being unduly pessimistic. Underneath all of the tensions, the two countries actually need each other's cooperation to a great degree. In my view, there are boundaries to this set of frictions – at least if both sides manage things tolerably well.

There is tremendous economic interdependence between the two countries, and we both have domestic problems of such great magnitude that we really don't want a problem with each other. The United States has two wars and an economy with nearly 10 percent unemployment, and China still has another 400 million people to move from the country to the cities, plus it still has a long way to go economically. This is not a great moment in bilateral relations, but I'm not apocalyptic.

**USAPC:** You mentioned the anticipated leadership change in China in 2012. How much of China's current behavior – particularly its aggressive pursuit of sovereignty claims in the South China Sea – is influenced by the need of rising political stars to secure Chinese military support. Or, more generally, have conservative elements in China gained the upper hand politically?

**Lampton:** Politically, there is a reality in China. The first two generations of Chinese leaders – Mao Zedong and Deng Xiaoping – not only were political leaders, they also were military leaders. Therefore, they had credibility with the Chinese armed forces. This is comparable to Eisenhower becoming US president in the 1950s.

After Deng Xiaoping, China's most senior leaders – that is, Jiang Zemin and Hu Jintao – rose to power without ever having served in the military. It is likely that those who follow Hu also will be bereft of military experience. And yet, the military – the People's Liberation Army (PLA) – is important to the maintenance of stability within China and holds a sizeable chunk of the government budget.

The military is an important player and these civilian leaders, who do not possess military experience, need its support. Unlike Mao and Deng, they can't compel this support by virtue of their own personal histories. Instead, they purchase this support with both policy and budget. They often defer to the PLA on certain core issues, such as Taiwan and Japan, which have high security and nationalistic content.

I would not say that the PLA has the upper hand politically, but the military is a non-trivial force in Chinese life and politics. One reason why the Chinese military budget has been increasing is because the PLA realized, particularly after the Balkan and Gulf Wars and the development of smart weaponry, how far behind it was in modern warfare.

The new generation of Chinese leaders, who do not possess military experience, may be cautious in pushing back against the PLA because they likely share the view that China must protect its important and growing interests in the world.

It's perfectly understandable why China's civilian leaders attach importance to the PLA's interests. Chairman Mao built industry all over China in the 1950s and 1960s. He spread it out not only for reasons of developmental equity, but also because he was afraid that China would be invaded by the United States, using Vietnam or Taiwan, or by the Soviet Union from the north.

Consequently, Mao spread the economy all over the map of China, building factories in the least accessible places so they couldn't be attacked by air or land. That makes fine sense if you're orienting your economy around a potential invasion.

But Deng Xiaoping wanted China to become a global economic power. He formulated policies that allowed old and new industry to be concentrated along China's eastern seaboard in order to reach out to the world through its ports. Deng essentially moved the core of China's GNP to the coast, where it now is concentrated.

PLA military planners, in turn, argued that China could not

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The Chinese military is an important player and civilian leaders purchase its support with both policy and budget

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allow the next war to be fought in its coastal cities. That was where China's economy was concentrated, where its people increasingly lived, where the emerging middle class and most educated part of the population lived, and where the nation was most vulnerable to the air forces and navies of surrounding and distant powers, not least the United States.

They argued that the country needed a stronger navy that could push the conflict off the coast and an air force that could project China's power farther offshore and protect its navy. With the development of smart weapons and other considerations, the use of space became absolutely central for communications, intelligence, and real-time situational awareness on the battlefield.

Thus, for very defensible and understandable reasons, from the late-1980s to the present China moved its military modernization phase into domains that the United States regards as threatening. Historically, the United States has been most dominant in the air, on the world's oceans, and in space.

With respect to Taiwan, of course, the PLA consciously is trying to increase the threat to American naval forces so the United States won't support the island if China decides to use force against it. That's a direct challenge to American power.

But much of the potential for friction derives from the simple fact that China is moving into zones where the United States historically has been dominant. Washington cannot be certain how these new, uncertain capabilities will be used.

**USAPC:** But in addition to Taiwan, China also seems to be directly challenging the United States, Vietnam, Indonesia, and the nations of Southeast Asia more generally by pushing its sovereignty claims to the South China Sea. Why now?

**Lampton:** I explored this issue while lecturing in Shanghai this past June. There appears to be an internal argument about how muscular China should be in translating its new power into more assertive policies. Some officials in the Ministry of Foreign Affairs and the economic ministries don't want China to overestimate its power and become too assertive.

They argue that Deng Xiaoping's policy, which emphasized a low-profile posture and the exercise of caution when Beijing behaved proactively, has worked well for the last 30 years. China, in this view, should be very cautious about flouting its new capabilities because that only will end up antagonizing big powers, like the United States, and scaring smaller

neighbors in the PRC's neighborhood. Moreover, China still faces huge developmental tasks at home and cannot afford to squander resources because surrounding nations are becoming more apprehensive.

But there is another very strong point of view associated with the military, particularly China's Navy (PLAN) and the PLA Air Force (PLAAF). The PLAN naturally wants to secure more budgetary resources. And how does one do that? You argue that China's growing connections to and dependence upon the world require a much stronger navy. Specifically, the country now imports around 50 percent of its petroleum needs, and about 80 to 90 percent of those supplies pass through the Strait of Malacca and come up through the South China Sea.

The PLAN therefore argues that it needs more capabilities to protect China's vital sea lanes of communication. Then the air force chimes in and argues that China cannot have more naval vessels in international waters without air cover.

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There is an internal argument about how muscular China should be in translating its new power into more assertive policies

The reality is that China is becoming more connected to the world and doesn't want to depend on the US Navy to defend its oil supply. The United States may feel comfortable providing regional stability. But it's not hard

to understand why the Chinese do not want half of their petroleum supply dependent on whether or not the US Navy is friendly.

Another factor influencing China's behavior is public opinion. I often hear from Chinese friends and associates that Americans do not realize the extent to which leaders in Beijing must listen to public opinion. There is a very active nationalistic dialogue on the Internet concerning the rights of China to defend its territorial claims and uphold its interests.

It may be surprising to many Americans, but often the Chinese government feels it must tamp down this excessive nationalistic rhetoric. But by the same token, it also is true that Beijing sometimes fuels that excessive nationalism, in part to bolster its own legitimacy but also out of fear of running afoul of popular passion.

The long and short of it is that if you look at any Chinese map, you will see nine dotted lines that go down through the South China Sea almost to Indonesia. This has been a historic claim for the People's Republic of China. It gets to the issue of the Chinese understanding of what is "China" and what China's military, in turn, should defend.

The South China Sea claims heretofore have not held the

same status as Taiwan, Xinjiang, or Tibet. Currently, there may be some debate in China about the status of these claims now and in the future. Nonetheless, these are claims that Beijing has made for quite some time. Chinese leaders don't want to be seen by their public and their military as being weak and abandoning these territorial claims in the face of pressure from the United States or anyone else. This is a case where nationalism is feeding into what you might call bureaucratic and budgetary politics.

**USAPC:** On August 16, the US Department of Defense issued its annual report to Congress on China's military capabilities. Among other points, the report stressed the importance of resuming military-to-military exchanges in order to avoid potentially devastating misunderstandings. Yet, as we speak, the Chinese military has refused to resume these exchanges. Where do we go from here?

**Lampton:** Historically, every time there is a problem in US-China relations, the Chinese reflex is to retaliate in some way, but without unduly harming their own interests. If Beijing were to retaliate in the economic area, this could be very dangerous because there are forces in the US Congress who would like nothing more than to reply in kind.

More to the point, the Chinese don't want to get into economic warfare because to a considerable extent continued economic growth is essential to the legitimacy of the Chinese Communist Party. In terms of cultural exchanges, the

Chinese certainly have benefitted greatly in recent years by having access to American universities.

Chinese officials often pick military-to-military exchanges as a way to retaliate or to show disapproval without incurring major damage to their core interests. In addition, the Chinese military has been nervous about becoming too transparent to the US military because American forces generally are stronger and many in the PLA fear that the United States will exploit any knowledge of PLA weaknesses that might be revealed through such exchanges.

And finally, to the degree that Beijing pursues asymmetrical strategies, keeping the United States uncertain seems like the better part of discretion.

Generally speaking, the United States as the stronger power has favored transparency. Many US military experts contend that if the Chinese see real evidence of our power, they will be more reluctant to confront it. To some extent, transparency is deterrence for the United States. But China, as a traditionally weaker power, has regarded transparency as part of US intelligence-gathering operations.

Sometimes the United States also has used military-to-military exchanges to retaliate, as we did in response to the June 4, 1989 violence in Tiananmen Square. The administration of George H. W. Bush did not want to

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## China has regarded transparency as part of U.S. intelligence-gathering operations

### OFFICIAL WASHINGTON

In each issue, **Washington Report** will provide the names and contact information for selected executive branch officials with jurisdiction over economic, political, and security issues important to US-Asia Pacific relations. This issue focuses on pertinent personnel from the Office of the US Trade Representative.

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harm bilateral economic relations at that time, but felt that Washington had to do something because Americans were outraged by what had happened in China. So, President Bush used his authority and Congress passed certain legislation that stopped military sales, military exchanges, and other high-level leadership exchanges.

In any case, military-to-military exchanges are important and should be resumed, and the Pentagon's August 16 report seeks to convey that message to the rest of the US government, the US Congress, and the Chinese government. But it also is my impression that the entire US military does not necessarily agree about these exchanges. There continues to be internal debate.

One camp argues that military-to-military exchanges would enable the United States to understand better how the PLA looks at the world, what its basic doctrinal and philosophical orientation is, and how it views the use of force. I associate myself with that school of thought. I think these exchanges

are very important – not because we're going to find out technological secrets – but because we'll get an avenue into the PLA's thinking and hopefully be able to build more confidence.

In addition, the exchanges enable key individuals on both sides to become acquainted with each other so that if a crisis develops, one can pick up the phone and talk to the right person. The underlying rationale for military-to-military exchanges might be described as mutual understanding.

The other camp, however, argues that the PLA gets more out of these exchanges than we do. There should be "reciprocity," they contend. This means that if we show the Chinese a nuclear submarine, they, in turn, would show us a nuclear submarine. But the Chinese, for reasons I just explained, have been reluctant to do that.

In sum, there are elements in both militaries that are nervous about these exchanges and there are other farsseeing elements

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## CONGRESSIONAL WATCH

**Vietnam Human Rights**—Rep. Loretta Sanchez (D., California), co-chair of the Congressional Caucus on Vietnam, on July 16 led a bipartisan letter from 18 House colleagues to Secretary of State Hillary Clinton. The lawmakers urged her to use the occasion of a trip to Vietnam on July 19–23 to press for the immediate release of three prominent democracy activists who were jailed earlier this year as well as "advocate for unfettered access" to websites like Facebook. Secretary Clinton, indeed, raised these issues with Vietnam's Deputy Prime Minister Pham Gia Khiem on July 22. However, she also made clear that US-Vietnamese relations are not "fixed upon our differences" and that the two nations have "learned to see each other not as former enemies, but as friends."

**US-India Relations**—In August, Congress passed seemingly contradictory legislation that appears to reflect both admiration

and concern about the implications for the United States of India's rise. On the one hand, the Senate on August 5 passed a non-binding resolution that formally expressed "support and optimism" for the strategic partnership and friendship between the United States and India. On the other hand, Congress sent to President Obama on August 12 a bill to boost US border security, which includes India-targeted provisions aimed at offsetting the costs of implementation. The \$600 million border security measure will be paid for by increasing fees on non-immigrant H-1B visas and L-visas by roughly \$2,000 each. Sen. Charles Schumer (D., New York), chief sponsor of the Senate bill, specifically cited Indian companies, such as Wipro, Tata, Infosys, and Satyam, as foreign-controlled companies that have "exploited" these two categories of visas and, thus, denied good jobs to Americans.

**Burma Sanctions**—On July 27,

President Obama signed into law legislation to extend the ban on imports from Burma. The bill, which passed the House and Senate on July 14 and July 22, respectively, prohibits the importation of any article produced, mined, manufactured, grown, or assembled in Burma unless the President certifies that the country has met certain democratic conditions. In a related move, on July 30 Senators Dianne Feinstein (D., California), Judd Gregg (R., New Hampshire) and 30 Senate colleagues urged the White House to support the creation of a U.N. Commission on Inquiry for Burma to investigate the use of child soldiers, the displacement of ethnic minorities and other human rights abuses. On August 17, the Obama administration announced that it would support the creation of such a commission.

**North Korea's Sinking of Cheonan**—Senior foreign policy lawmakers in both Houses of

Congress have made statements and promoted legislation aimed at demonstrating US solidarity with Seoul in response to North Korea's attack on the South Korean ship, *Cheonan*. In a speech on July 27 before the Korean Peninsula Peace and Security Forum, Senator Foreign Relations Chairman John Kerry (D., Massachusetts) lauded the restraint exercised by both the United States and South Korea in responding to the ship's sinking, saying that this keeps the door open to a negotiated solution to security challenges on the Korean Peninsula. At the same time, though, Kerry served notice that both countries "stand ready to meet any further threat that North Korea might present to our collective security." The same sentiment was expressed in a non-binding resolution, introduced by Del. Eni Faleomavaega (D., American Samoa), that passed the House on May 26.

**ASIA PACIFIC ECONOMIC COOPERATION (APEC) FORUM:**

**APEC Proposes New Growth Strategy for the Region**—The APEC economies held what was termed a “landmark event” on August 7–8 in Beppu, Japan to flesh out the Five Attributes of an APEC economic growth strategy. The APEC Ministers Responsible for Trade had declared June 6 that such a strategy should aim to produce growth that is “balanced, inclusive, sustainable, innovative, and secure.”

The Beppu meeting of APEC economies’ heads of delegation featured sessions devoted to proposing mechanisms to translate the Five Attributes into concrete actions by member economies.

For example, the officials proposed that APEC could contribute to balanced growth by “re-energizing its work on structural reforms.” The organization could contribute to inclusive growth by promoting policies in fields such as “job creation, human resource development, creating

new economic opportunities for women, and more inclusive access to finance,” the officials agreed.

Recommendations aimed at realizing sustainable, innovative, and secure growth may be accessed by [clicking here](#).

**PACIFIC ECONOMIC COOPERATION COUNCIL (PECC):**

**19th PECC General Meeting**—The Japan National Committee for Pacific Economic Cooperation (JANPECC) will host this year’s meeting on October 21–22 in Tokyo, Japan. The [theme](#) is “PECC at 30: New Vision for APEC and Toward Further Regional Economic Cooperation.”

**PECC Considers Post-2010 Trade Agenda for the Asia-Pacific**—PECC, the Asian Development Bank Institute, and the Inter-American Development Bank co-organized a conference July 6–7 in Tokyo to explore this topic, which forms part of the work of the PECC trade task force.

The conferees considered the

necessary adjustment of the export-led model of East Asian growth in light of the diminished capacity of the US consumer market to absorb regional exports, [among other topics](#). The PECC trade task force will prepare a report based on the conference proceedings.

**KEY MEETINGS: SEPTEMBER—OCTOBER 2010:**

- Corporate leaders, academics, and policy experts from Australia, China, the EU, Japan, Russia, South Korea, the United Kingdom, the United States, and other Asian nations will attend the “Summer Davos” meeting of the World Economic Forum, Tianjin, China, September 13–15.
- World leaders will gather for the opening of the 65th session of the United Nations General Assembly and participate in general debate, New York City, September 14 (opening) and September 23–25 and September 27–30 (general debate).
- President Obama will host the 2nd summit of leaders from the United States and the Association of Southeast Asian Nations (ASEAN), New York City, September 24.
- Barbara Weisel, Assistant US Trade Representative for Southeast Asia and the Pacific, will lead the US delegation at the third round of negotiations to conclude the Trans-Pacific Partnership (TPP) Agreement, Brunei, October 4–10.
- US Treasury Secretary Timothy Geithner or a designated senior US Treasury official will attend the annual fall meeting of the World Bank and International Monetary Fund, Washington, DC, October 9–10.
- US Secretary of State Hillary R. Clinton will attend the 5th East Asian Summit (EAS), Hanoi, Vietnam, October 31. This will pave the way for President Obama’s participation in the 6th EAS in Indonesia in 2011.

## Timely Congressional Action On US-Korea FTA Unlikely

President Obama is expending considerable political capital to secure timely approval of the US-Korea Free Trade Agreement (KORUS). In late June at the G-20 summit in Toronto, he put the weight of his office behind the accord, pledging to resolve the issues that have stalled it on Capitol Hill for the past three years. These concern (1) regulatory and tax policies that allegedly impede US auto imports and (2) Korean barriers to US beef imports. Importantly, the US leader set a deadline – the G-20 gathering in South Korea in November – to reach an agreement on these sticking points.

Nevertheless, insiders do not foresee expeditious consideration of the KORUS by a still-divided Congress, certainly not in 2010. Supporters and opponents alike appealed directly to the president in late July in an effort to shape the final deal, but in so doing also previewed the likely battle ahead.

Proponents of KORUS emphasized its geostrategic merits and urged President Obama to delay no longer in sending the accord to Congress for ratification. Opponents, however, went beyond their previous complaints about auto and beef barriers and called on the administration to re-negotiate the KORUS more broadly to address US jobs creation. The net impact is that the White House likely will wait until well into 2011 before presenting the new KORUS package to US lawmakers.

**Key Democratic Support**—The administration no doubt will rely on KORUS supporters in both houses to help count votes and gauge support for before it actually submits the implementing legislation to Congress. Some insiders have suggested that the White House may need nearly six months to line up sufficient support from centrist Democrats and pro-trade Republicans. The outcome of the November elections may help or hinder this effort.

## U.S.-Korea Free Trade Agreement

In the Senate, the administration may rely on prominent Democrats, such as Foreign Relations Committee Chairman John Kerry (D., Massachusetts), Agriculture Committee Chairman Blanche Lincoln (D., Arkansas), and Appropriations Committee Chairman Daniel Inouye (D., Hawai'i), among others to help build support for KORUS in this chamber. Kerry, Lincoln, Inouye and seven other senior senators, in effect, conveyed their willingness to provide such support in a letter to President Obama on July 20.

The senators applauded the president's call for prompt resolution of outstanding issues in the KORUS, and clarified that they, too, believe that disagreements concerning trade in beef and autos should be addressed. At the same time, though, they served notice to colleagues who are urging more sweeping changes of the potential perils of further delays. "Failure to bring the KORUS FTA to a swift resolution could have wide-ranging repercussions for US engagement and influence in the Asia Pacific as well as our leadership position on open markets and mutually beneficial trade," the senators maintained.

**Still-Potent Opposition**—On the same day, however, the White House received an equally fervent appeal from Senate opponents of KORUS. Senators Sherrod Brown (D., Ohio) and Debbie Stabenow (D., Michigan), in their capacities as members of the President's Export Council, charged that the KORUS still falls short in areas that go beyond simply opening markets to US auto and beef exports. They urged the administration to "drive a hard bargain with Korea" and create a "new framework that gives confidence to American producers and manufacturers that global trade deals produce jobs and better living conditions at home and abroad."

On the heels of this, some 109 House critics also sent a letter to the White House. They requested a meeting with the president to make their case that without "major improvements," the KORUS would continue a trend that has led to "off-shoring of US jobs, the decline of our manufacturing sector, and our ballooning trade deficit."

**Possible Scenarios**—Most trade experts doubt that the United States and South Korea will re-negotiate the KORUS as urged by critics. That would mean that the bill to implement the "new" accord could not be considered under so-called "fast-track" rules, which prohibit amendments. The law providing fast-track presidential authority expired shortly after the KORUS was concluded in June 2007. Instead, these experts suggest that Washington and Seoul likely will address the auto and beef trade issues through side agreements. Anticipating continued push-back from Sherrod, *et. al.*, they say it will be crucial from President Obama to become involved personally in building support for KORUS on Capitol Hill in 2011. ♦

## Congress Targets China

**China's Currency Policy**—On September 15, the House Ways and Means Committee will hold a hearing to consider whether China has made "material progress in allowing appreciation of the exchange rate" following Beijing's announcement on June 19 that it would allow for greater flexibility. Importantly, Committee Chairman Sander Levin (D., Michigan) served notice that the hearing would focus attention on the "Currency Reform for Fair Trade Act" as a means of affecting meaningful changes to China's currency policy. The bill, which was introduced by Rep. Tim Ryan (D., Ohio) 16 months ago and has 133 co-sponsors, would make currency misalignment actionable under U.S. antidumping and countervailing duty laws.

The fact that the Ryan bill is the focus of the hearing is all the more significant in view of Levin's heretofore wariness about using legislation to pressure China to allow the *renminbi* (RMB) to appreciate. The Ways and Means Committee chairman had respected the administration's view that consultations – rather than punitive legislation – would prove more effective in dealing with Beijing.

But Levin's patience is spent. "Years of high-level dialogue with China have failed to resolve this issue," he said in late August. Speaker of the House Nancy Pelosi (D., California) also had made clear that she wanted the lower chamber to pass a currency bill in the fall. News in early August that the U.S. trade deficit with China in June hit its highest level in nearly two years plus a recent ruling by the Commerce Department no doubt has stiffened Levin's resolve to move the Ryan bill out of his committee expeditiously.

**Commerce Ruling on Chinese Aluminum Imports**—On August 31, the Commerce Department made a [preliminary determination](#) that \$514 million of aluminum products imported from China in 2009 were unfairly subsidized. However, Commerce declined to consider allegations that the undervalued RMB constituted an unfair subsidy on grounds that the petitioners "failed to meet the requirements for the initiation of an investigation." Levin noted that Commerce did not find that currency manipulation, in principle, cannot be addressed as a countervailable subsidy. He reiterated plans to examine that alternative at the September 15 hearing.

**Trade Enforcement**—Lawmakers in both chambers also are urging more aggressive use of U.S. trade remedy laws to combat the unfair trading practices of China and other trading partners. Key Senators active on trade policy have proposed [empowering the Commerce Department](#) with improved tools to uncover foreign exporter "schemes" to circumvent U.S. trade laws. [Centrist House Democrats](#) have been arguing that the potential for such actions should be addressed pre-emptively in free trade agreement (FTA) negotiations. While the China currency bills will have priority in 2010, congressional interest in enforcement likely will carry over into 2011. ♦



## Lampton Interview

in both militaries that are rather supportive of them. But overriding this, US-China relations seem to go through this cycle of problems followed by warming ties. Military exchanges usually are the first to feel the coolness and the last to feel the warmth.

**USAPC:** According to some reports, Chinese officials evidently were taken aback at the July meeting of the ASEAN Regional Forum (ARF) by the extent of support among members for the US position urging resolution to sovereignty claims in the South China Sea in accordance with maritime law rather than through coercion.

Some Chinese have sought to portray this development at ARF -- plus the efforts of Indonesia, Malaysia, Vietnam and others to beef up their militaries and the Obama administration's generally expanded outreach to the region -- as elements of a broader US containment strategy. What is your view?

**Lampton:** Let's get our terms straight. During the Cold War, "containment" meant that the United States had virtually no intellectual, economic, or other intercourse with the PRC.

There certainly were not Chinese students at American schools during that period. This also meant that there was virtually no importation of anything with a "Made-In-China" label on it. There were no high-level contacts between leaders of both nations. There were no ties among localities, firms, NGOs, and other members of the two nations' communities. Moreover, the United States formed alliances with nations along China's periphery that were aimed explicitly at the PRC.

Beijing may suspect that Washington is pursuing a containment strategy. However, you cannot describe as containment the fact that we currently have allowed as many as 120,000 Chinese students to study at US universities, the fact that we have borrowed nearly \$1 trillion from China, and the fact that we have allowed our single-largest trade deficit to be with China. I wish the Chinese would get the term containment out of their vocabulary. It is not a useful concept.

China, indeed, is becoming stronger and its smaller neighbors worry about this for historic reasons. The United States did not create this concern. But at the same they see huge opportunities in China's growth. This duality of opportunity and concern is difficult to manage. They want to seize the economic opportunities, but they don't want to become dependent on China. They are aware that as China's economy grows, its military strength also will increase.

And the stronger that China becomes, the more the PRC's neighbors want to make sure that the United States doesn't "leave" the region -- although we have absolutely no intention of doing that. As one Indonesian said to me, "We don't want your bases. We don't want you in our 'house.' But we do want you standing out on the sidewalk in front of our 'house.'" Because the United States is far away, we are less threatening. Our long-standing national purpose has been to reassure the region by keeping the power balances in rough equilibrium.

Many Asian countries were worried that our domestic economic problems would compel Washington to reduce America's regional presence.

That is one reason why Secretary Clinton's first overseas trip was to Asia. The Obama administration has done a good job of clarifying that we will be in Asia in a meaningful

and constructive fashion for the long haul. Secretary Clinton has emphasized the multilateral commitment of Washington.

With respect to developments at the July meeting of the ARF, I understand that the Chinese foreign minister was caught off guard. Chinese officials responded in a somewhat defensive way because they apparently didn't fully anticipate what Secretary Clinton would say and they certainly did not expect the degree of support for the US position among ASEAN members. Beijing would prefer to deal with smaller neighboring states bilaterally rather than as a consolidated multilateral negotiating entity.

I hope that the Chinese will regard all this as a warning flag and reassert, re-proclaim, and re-energize what you might call the low-profile policy of the past. This low profile, gradually more proactive, moderate foreign policy has served the PRC well for 30 years and it can serve Beijing well for another 30.

Otherwise, overly assertive actions by China will cause big powers, like the United States, to develop their counter-capabilities and compel the smaller Asian countries to seek the offsetting presence of big-power militaries. This could lead to an arms race and other potentially destabilizing developments that ultimately would not be in China's interests or in the interests of the region or more distant powers. ♦

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