

LECTURE

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Four Issues Facing China

The Honorable Franklin L. Lavin

Abstract

There are four fundamental issues that China's new leaders must face: (1) economic performance, (2) social stability, (3) leadership cohesion, and (4) foreign policy. How the People's Republic of China addresses these issues will determine its success or failure at home, and will also contribute to either friction or comity in Asia in the coming years. On January 23, 2013, long-time "China hand" Ambassador Frank Lavin shared his insights on these issues with an audience at The Heritage Foundation.

It's a delight to be here. I enjoy coming by and seeing friends, making new friends, and sharing ideas and insight. I have a terrific job—not just the job itself, which is interesting, but the fact that it's a China-oriented job, and that it allows me, every time I visit China, to learn and to see and to chat with people. It was certainly interesting to do that in a government capacity, but that's a very formalized, very structured, activity. It provides insight on government decision-making, but it doesn't necessarily give a broader picture of society or of the enormous transformation the country is undergoing. I get a lot of that now, and it helps shape some of my thoughts that I'll share with you today.

I have a very simple thesis: How China defines itself, and is defined by others, will in large measure define this century. The 21st century is all about the policy decisions that China makes and which decisions the United States and other countries make regarding those decisions. But it's really the U.S. and China as the two pieces of the

KEY POINTS

- The 21st century is all about the policy decisions that China makes and which decisions the United States makes regarding those decisions.
- China is the only great power that is still in a definitional phase, both domestically and internationally; it is the one ascendant power, so it is the one with a changing dynamic.
- The four key components of defining China are (1) economic performance, (2) domestic stability, (3) leadership cohesion, and (4) foreign policy.
- China has strong prospects for reasonable success in economic management, domestic stability, and leadership cohesion, though there are challenges in each area.
- The area in which China has the greatest prospect of a less-than-successful outcome is in foreign policy, as limited information flow and scope for different points of view can reduce China's ability to attain its goals.

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jigsaw puzzle, because those are the two most consequential nations in terms of economic might and political and military capability. Certainly, other nations fit into this and other relationships are very important as well.

I start with China because it is the only great power that is still in a definitional phase, both domestically and internationally. What kind of country does China want to be? What is the proper relationship between a government and its people? What is China's foreign policy? For the other great powers, we could say there is a pretty well-defined set of answers. It might have taken hundreds of years to get there, but we view the great powers around the world as generally mature powers; and China is the one ascendant power, so it is the one that has a changing dynamic. It's an interesting contrast with the U.S. in the sense that, in our history, the philosophy of government came first and the nation was established subsequently. In China, a civilization and culture has existed for 5,000 years, but only over the past century has there been an effort to define a modern state. So it's still a work in progress.

Now, there are a lot of elements of this exercise, but I will touch on what I view are the four main ones today: economic performance, domestic stability, leadership cohesion, and foreign policy. I'd like to touch on each of these four and then offer my predictions on each one.

China's Economy

The first one is the economy. China's economy has been typically the best-performing economy or among the best-performing economies in the world since 1979 when reforms began, averaging about 7 percent growth. That's an extraordinary record by any measure. One note of concern, though, is that those conditions that allowed that 7 percent growth are not likely to be prevalent in the years to come, because for over 30 years, China has relied extensively on lower wage rates and export-driven growth. But wage rates have been bid up, as happens; the Chinese are victims of their own success, you could say. And secondly, the rest of the countries in the world are not going through high rates of growth, and they're not going to be importing the way they had been historically. So, that formula isn't going to be as successful going forward as it has been.

What to do? China needs to shift away from an export-driven economy to more of a consumption model. It needs to be mindful about funding its

state-owned enterprises, about subsidizing state-owned companies. It needs to lessen its reliance on low-end manufacturing and move up the value chain. By the way, these aren't my observations; these are observations by Chinese leadership. If you follow any Chinese leader's speech on China's economic transformation, these are the points he'll make. We would call that market rationalism or just normal evolution as a country rises to middle-income status.

But there are also some countervailing impulses. There's a strong streak of economic nationalism; there is a desire to promote national champions; there are protectionist impulses; and investment barriers—the policies called indigenous innovation, where China looks for ways to highlight or promote local companies at the expense of international competition.

The fundamental economic question is: Will market rationalism prevail over these kinds of distortions, whether you call them mercantilism or protectionism or rent-seeking or other kinds of state interventions? My prediction is that Chinese leadership is moving toward market rationalism, but only somewhat. What we're going to see with Xi Jinping's leadership, is that the Chinese are very concerned about open-ended financial support for the state-owned enterprises and they want to contain, if not curtail, it.

But the allure of indigenous innovation has a strong hold, and the legal and cultural conditions for creativity will remain weak, so reforms will be only partially successful. I think China will have a strong track record during the Xi Jinping era, and I think the economy will continue to expand at high rates. It might not be in that 7 percent range, but it will still be considerably higher than the developed world, and it will remain one of the best-performing economies in the world. I think the fact that not all of the reforms were attended to will only penalize China in subsequent decades. But I think that in the near term we're looking at a fair amount of economic success in that mix. I put myself down as bullish on China's economy, that there's a fair amount of good news in that picture, and that the good news will continue, even if it tapers off a bit.

Social Stability

Second topic: domestic stability, which fits together with economic progress. There's a bit of a paradox to economic progress. In the early stages of

economic growth, we think that prosperity and economic liberalization can be strong forces for stability, because we have a large number of people entering the workforce, participating in the modern economy, enjoying a better life—and so we'd say that reinforces the social contract. You play by the rules, you get ahead. That's not a bad deal in a society. But that's in the short run. Over the medium term, does prosperity also give rise to potentially destabilizing tendencies? We see in our own society and other Western societies that, in the long run, human aspirations and material wants consistently outstrip governments' ability to provide. So we have such phenomena in Western countries as alienation even amidst a fair amount of prosperity. In the short run, then, I think you say it's a factor for stability; in the long run, it might be somewhat destabilizing.

If we look at that picture and we also look at the added impact of globalization and technology, the situation becomes even slightly more pessimistic. Globalization brings economic shocks, or at least makes a planned economy or job security less feasible. Technology brings greater information flow, so people compare and collaborate and trade information and bad news spreads—not necessarily organized political activity, but at least the ability to be aware politically of what's going on. When we look at China today, we see all of these unfolding. What kinds of activities have transpired in China in recent years? Well, a big uptick in labor unrest, street protests, a lot of anti-elite populism, and anti-foreign populism. There has tended to be a very angry moralism on the Internet, a lot of nationalism, some of which can be quite strident. A lot of concern about corruption; that feeds into the anti-elite tendency. And also just a diffuse desire for broader freedoms. There's a lot of this background music in China today.

I'm a bit of a contrarian, because I think it'd be a mistake to interpret all of that as a broad destabilizing tendency. I think most of the protests, and most of the unhappy noises we hear, are in response to very specific local issues; they're not general statements about Chinese government or Chinese politics. I'll make another point as well, about upticks in labor protests, for example, or street protests, or what we'd call an American NIMBY (not in my backyard) protest—people unhappy about a specific activity taking place in their neighborhood. So the government announces that it will place a chemical plant in a certain jurisdiction and people from that jurisdiction

have a street protest and the government backs down, or something happens. That's what we call a NIMBY protest. But it's not people wanting to overthrow the government or even wanting a broad change in the government; but they sure as heck don't want that chemical plant in their neighborhood.

I'd say, in that context, you could argue that these protests are actually a factor for stability. If you have a system that allows protests, you actually have a more stable system than a system that didn't allow them. Let me boil it down to a question asked by a friend. This was about six or eight months ago, as events in the Mid-East unfolded: "Won't China have an Arab Spring? Don't you have sort of the same conditions? You have a government that is not democratic and you have liberties that are substantially curtailed, and so wouldn't you just have the same outcome there?" In my view, the two situations are not comparable, and there are four big differences between China and, say, the Arab world.

The first difference is that the Chinese economy is performing well. Second, China does allow scope for criticism and discussion of issues—not as much as the U.S., certainly, but I suspect considerably more than Syria and Libya, and more, even, than Egypt under Mubarak. Third, the Chinese system has the capacity for reform. The Chinese make changes and there are adjustments as they go along. I don't have that impression from the Arab states. Fourth, China has made the transition from a personality-led system of government to a bureaucratic system. That transition allows a much higher level of functionality, probably less cronyism, greater performance, and it also removes a focal point for criticism. People aren't happy with Mubarak in Egypt or they're unhappy with the fact that the Syrian government is an inherited government, but there's one less thing to complain about in China. There's certainly a princeling class of people who are in positions of authority because of their fathers, but there's not an inherited government in the Syrian sense. I'd also note that China has a more effective repressive apparatus, so the regime has a more effective ability to tamp down things it doesn't like.

China continues to move the out-of-bound markers, it allows for more scope of discussion, and I think that helps feed into this overall stability. My take on the domestic stability side is also a bit bullish in the near term, that social stability is highly manageable. There could well be more protests, but these won't

translate into broad political discontent or condemnation of Beijing.

Leadership Cohesion

Third point: leadership cohesion. This topic became of enormous interest not too many months ago during the Bo Xilai scandal. You remember there were rather colorful elements of the scandal where the police chief fled to the American consulate and sought political asylum, and Bo Xilai was arrested; his wife was arrested—and convicted of murder. This fellow was a ministerial-level member of the Chinese system and up for candidacy for the Politburo Standing Committee, so it was quite a public scandal to have someone that senior caught up in this element of corruption and malfeasance. It raises broader questions about the caliber and the integrity of people at the top.

I also came to believe that the Bo Xilai scandal is quite an anomaly and that there's a lot of strength in that system. People discuss reform versus status quo. I think the truth is that there's a very high degree of cohesion under Xi Jinping, that there's not really the kind of leadership splits that you might see in other countries or systems. This, by the way, is the other side of the coin, if you will, of my first point where I said there's going to be some economic reform but not full reform. The Chinese value cohesion so highly, there's only so far they can go on reform because they've got to take everybody with them. So reform tends to be a lower-common-denominator exercise to protect strong leadership consensus, but that means moving slowly on policy areas.

As ideology declines as an organizing principle in China, cohesion itself becomes perhaps the supreme value. During a job interview in China, there's really only one question: Are you one of us?

When you think about it, as ideology declines as an organizing principle in China, cohesion itself becomes perhaps the supreme value. It's the mechanism that allows internal discussion because it means whatever one's point of view might be on a particular issue, there's an obligation to always

support the government after the decision has been made. In the job interview in China, there's really only one question: Are you one of us—are you part of the team? That's the question. And, if you're one of us, if you're part of the team, then welcome; we can always work things out. By the way, the job interview in China lasts about 50 years. Your entire career is a job interview. If it's working out, you're working out, you're fitting in, we're all together; we move you up a notch. If it doesn't quite work out, well, then you don't move up.

That's the way the system works. So you end up at the top with a huge amount of cohesion. In fact, I would say the risk they face is not splits or factionalism; the risk is exactly the opposite. The risk is that there's so much cohesion that they suffer from insularity that they don't have divergent points of view, and the risk is that you get this aversion to change or aversion to experiment that plagues closed political systems, that it actually might be better if they had a broader range of views.

So I don't see leadership splits; I see an appetite for reform, but a very modest appetite, and we also have to define the reform from Beijing's perspective, not from our perspective, meaning it is reform to preserve a system, to adapt the system to technological changes and so forth, not reform to change the system.

Foreign Policy

The fourth point to touch on is foreign policy. There's good news and bad news here, but I want to strike a note of caution. The good news is that China is largely a status quo power, meaning it is not a revolutionary power; it doesn't follow or practice a hostile ideology; it doesn't view itself as intrinsically hostile to the United States. That's the good news, the starting point.

The challenge is that China is an ascendant power with limitations on decision-making. It has an unclear ability to undertake cost-benefit analysis; it has very limited information flow and it has very disparate decision silos, so you don't always end up, to my mind, with good decisions. By good decisions, I don't mean in a parochial sense decisions that are pro-American. I don't expect them to sit down each morning and ask, "How can we come up with a decision that Americans are going to like?" That's not my point. By good decision I mean in *their* national interest—not in the U.S. national interest—but you

would expect that one of the obligations of leadership in any country is to formulate and carry out a foreign policy that is in the national interest of that country.

How, then, do you advocate, how do you think through where that country needs to be internationally, and how do you implement that? There's room for debate. But it's interesting where countries fall short of that. Why? Why would a country advocate or follow a policy that doesn't appear to be in its own best interest? I think it's for the reasons I just articulated. It's not always easy to undertake thoughtful cost-benefit analysis, and you have very limited information. You do have a lot of insularity in that system, and as a result you end up with decisions and outcomes that aren't always in the best interest of the country in question.

Now, this point is largely untested—I know we're speaking anecdotally here. China has only been a consequential nation, and only had serious foreign policy considerations, for a few decades, as it attained economic power. But I think the record in recent years is mixed. I think there have been some negative trends. On the plus side, China has pursued, very successfully, trade agreements in Asia and elsewhere; it's developed strong economic ties; definitely China is pursuing national interests. On the minus side, there's been a lot of rhetoric and incursions in East Asia regarding territorial disputes. What's interesting to me is that these developments play very well to domestic audiences, but as per my earlier point, it's hard to see how they help China's overall foreign policy.

As China has attained greater economic weight, it has tended to shift policy from economics to political-military issues.

Now, it's interesting that as China has attained greater economic weight, it has tended to shift policy away from economics to political-military issues, which, to my mind, have far greater risk and cost than the economic issues.

I think these problems are manageable, but I think there has been a deterioration of foreign policy management in recent years. For example, one part of the process that would help China achieve

successful outcomes would be a more open discussion in China of the territorial issues, and at present that's prohibited—which in itself is telling. When conformity is required, when it's obligatory, the give and take of statecraft becomes more difficult. When you reflect for a second about a great power, a great power in part displays its greatness when it shows restraint, and this restraint isn't simply a courtesy or an act of grace; it's a very effective way of building good will and projecting influence. So it's a paradox of power: Sometimes your power is most effective when it's not used. We know that in social situations and business situations as well, that if you always have to push to get your way, you might be doing something wrong.

In summary, I'm generally optimistic. I'm optimistic by nature, I guess, and I've done a lot of work in China, so I may have more sympathy for the day-to-day issues in China. But I see generally good news on the economic front; I see social stability as manageable in the near term; I see leadership cohesion as being strong; the one area where I have more concerns is on foreign policy.

Questions & Answers

QUESTION: Is there such thing as a Chinese liberal? What is a philosophical liberal in China? Who are they? What are they focused on? What's their power? Specifically, can they have any impact on foreign policy? Do they have any different views on these nationalist issues?

AMB. LAVIN: By liberal, you mean someone who wants more scope for the individual? I'll tell you something; it's hard to measure. It's almost like when I talk about the job interview being 50 years long, everybody's in the middle of this. So the one thing you can't do if you're in the system or aspire to be in the system is to say, "You know what, this system's really got problems." It's almost like you've been nominated in the U.S. to be on the Supreme Court. What we'd say basically is: "Don't say anything about anything. You've got to get through the Senate hearings; then you can say whatever you want."

So if you go to somebody who's just been nominated and say, "Tell me your views on this matter of philosophy or jurisprudence," he'll say, "You know, I'm not going to say anything." I've never had that specific philosophical debate. What I try to do, and where I've gotten some success, is to not make a

moral or philosophical argument for liberalism or human rights, but just to make a very practical argument, to say that one of the contributing elements of stability in China, one of the foundations of the social contract is that people are increasingly able to live life on their terms, and, indeed, that provides a high degree of personal satisfaction. If you can do what you want with your life—study what you want, live where you want, pursue any profession you want, live the private life you want, practice faith as you want—you tend not to be a revolutionary. That’s how most of us live.

So it’s an argument for greater stability, and the analogy there that everybody in China understands is what the Chinese did with market economics. You moved away from a planned economy, which supposedly has all of the answers and provides for everybody and there’s no problems or issues, and you move to market economy. Well, the planned economy had nothing but problems and issues, but a market economy provided an enormous amount of prosperity. So isn’t that how we should also approach people’s personal lives, let people do what they want? People over time will make decisions to take piano lessons or take French lessons or do whatever they want, but that should be of no concern to the state. Now, that line of discussion has huge appeal in China. That’s the transition from totalitarian system, where the government has to run every aspect of your life, to an authoritarian system, where the government actually doesn’t care about what you do in your personal space, but the government will maintain control over the public space.

QUESTION: But is there a strain of thought in China, outside the leadership, outside the party—there were some hints of it in the protests over *Southern Weekly* and press freedoms—are there people arguing for freedom for the sake of freedom, not in some utilitarian sense?

AMB. LAVIN: I think you will see that. I think that is not the more common way that it’s expressed, and I think it’s much easier to build a discussion around a building block rather than a philosophical approach. I also think the authorities are more skeptical of a broad political argument. I mean, anybody can understand if you don’t want a chemical plant in your neighborhood and that you’re protesting against it. So there’s no ill will, nobody is going to get arrested intrinsically for protesting that. If you start smashing police cars, they might want to talk to you,

but if you’re just having a street protest, that’s fine. But if you said, “I’m making a philosophical statement that actually I want to have a multiparty system,” that’s verboten.

By the way, China has a very rich blog culture and Twitter culture, these local variants, Weibo and others. You can test this, because stuff gets taken down. So you can say on your Twitter, “Aren’t Taiwan elections interesting?” or “Who do you think would be a better head of Taiwan?” but you cannot say on Twitter, “Boy, shouldn’t we have elections” or “Who do you think would be a better head of China?” You can get to the subject indirectly, because everybody knows what the heck you mean if you’re saying “Don’t you think Taiwan elections are interesting?”

QUESTION: I’m dean of the Lutheran College Washington Semester. Thank you, Mr. Ambassador, for coming here today. My question concerns China’s hosting of the Olympics several years ago. It was an extraordinary event, absolutely magnificent, and I still can remember some of the opening ceremonies. As a result, many people have a different vision of China today. What benefits have accrued to the Chinese from having hosted that experience?

AMB. LAVIN: Well, I think it was a national statement of having arrived. I don’t know if you could say that it was designed to help the man on the street, but as a national undertaking, I think it was very effective and it made quite a statement. Almost all Olympics throughout history have been in the West or in developed nations, so for the Olympics to go to Asia, and to a developing country, itself was quite unusual. I think the Chinese did a very strong job, and I give them credit for executing it. It was designed on that basis.

By the way, that’s probably not terribly different than when we host the Olympics in Atlanta or Salt Lake City. It’s not necessarily that there’s measurable benefit for the average American, but it’s a statement of national pride that we consider ourselves a leading nation and we’re proud to host the world, and we want to show our best, and it’s an honor to win the competition.

QUESTION: I’m a student at Catholic University of America. I was wondering what you think the goal of U.S. foreign policy should be in regards to China. What are the pitfalls we have to avoid?

AMB. LAVIN: You’re right; I framed my remarks initially to say that China and the U.S. are the two pieces of the jigsaw puzzle. I’ll offer a few points to

U.S. decision-makers. One is: Continue the policy of engagement. The U.S. has had a policy of engagement throughout the modern era, regardless of President or political philosophy, just to continue trying to find common ground with China, work with China where we can. There is a lot of common ground, particularly in trade and investment, so I think it's important to connect with China as much as we can.

I'd say, secondly, it is important to bolster relations with friends and allies in the region so that it's not purely a Sino-centric policy, but trying to work with everybody. I'd say, third, we have to draw a line where U.S. core interests are at stake, such as territorial disruption or something of that nature. Those would be the elements of U.S.-China policy.

Is the purpose of foreign policy to adjudicate historical grievances? Or is the purpose of foreign policy to advance your national interests, to help your country?

QUESTION: On that last point, are we drawing clear enough lines right now?

AMB. LAVIN: The Secretary of State issued a statement just a few days ago, and I thought it was well crafted. It was subdued—I don't think you want to raise the rhetoric or raise tension or inject emotion into it. Actually, conceptually stated, our view of this is no different from China's. When you take it to the particulars, it can be very different, but conceptually stated, we do not support any use of force or threat of force to change territory or administrative control or change boundaries. We think in general this is a bad idea.

China would certainly agree with this, because China itself has irredentist or separatist movements. So, as a matter of policy, the Chinese subscribe to the general idea. That was simply the point that Secretary Clinton made, and I think she's right on target to say it's not good for anybody if it comes down to the use of force to change boundaries, or there should be other ways to resolve disputes. There's an enormous amount of stability in East Asia now, and China's probably the chief beneficiary of that stability. They want running room for their

economy to grow. It's not in their national interest to force or to exacerbate disputes.

QUESTION: What worries me is all the commentary on sovereignty in East China Sea. I'm afraid that the Administration is sending confusing signals to the Chinese that they don't necessarily understand it the same way we do and they understand it as evenhandedness. Do you get a sense that the Chinese understand that there is a red line around Japan's administrative control of the Senkaku Islands?

AMB. LAVIN: I referred to this subtly in my remarks, but I said they have limited information flow and there's insularity in that system, so it's hard to always understand what they perceive and what they see, and there's an echo-chamber effect in closed systems. China would actually benefit from having more open discussion. You really see the value of having independent newspapers or think tanks or people that might say, "You know, I think you might have it wrong." You can come up with any policy somebody might advocate in Washington on taxes, on foreign policy, on any issue, and at least somebody here, hopefully thoughtfully, will say you might have it wrong and you can read up on it, you can have a discussion. That's enormously helpful, and when you have a system that doesn't have that, and all you do is reinforce what's on the table, and if that supreme value is cohesion, it can really take you down the wrong path.

Well, indeed, if we say, what problems have there been in Chinese foreign policy the last two years, it's all part of this. This is now going back a couple of years, but there were some Chinese fishing boats that went up against Japanese Coast Guard cutters and it met with enormous popular support in China. There's a lot of emotional nationalism. Of course, there are all sorts of historical grievances toward Japan, so it fits into that dynamic. You could say, "Look, I understand this as an emotional undertaking; I understand the reaction, I understand what you're doing." What I don't understand is from a foreign policy perspective, how does this help China? How does this help China advance its interests, and what is the upshot of this move? What possible reaction can there be from Japan?

Well, we know what the reaction is from Japan. Japan then put in place as its foreign minister Seiji Maehara, who is Japan's foreign minister of the modern era who is the most hostile to China. That was no surprise to say "All right, you had the sort of feel good

moment where you wanted to push, and you pushed, and you got a reaction. But how does this help you? How does this play out?" So I think that thinking through how China's foreign policy can make that transition from domestic constituencies to national interest analysis that is the challenge for Beijing.

QUESTION: I have a question in regard to the territorial dispute in the South China Sea. Personally, as a recipient of humiliation education in China, I do find it hard not to talk about territorial integrity, but the entire system, the educational system in China, focuses on humiliation education, and when you really question the open discussion on territorial integrity or dispute in any area in Asia, you would get one identical answer: This is holy and inviolable. Would you say there is a need to change the education structure or system?

AMB. LAVIN: I think we're kind of saying the same thing. There's a general point here: Be careful about mounting that horse of emotional nationalism, because it's very hard to dismount. And, where is it taking you? Are you controlling the horse or is the horse controlling you? What is the ultimate purpose of foreign policy? Is the purpose of foreign policy to adjudicate historical grievances? To make a statement toward a traditional adversary or enemy? Or is the purpose of foreign policy to advance your national interests, to help your country?

If it's the former, then it's easy. Then foreign policy is just symbolism, and then it's just saying, if you don't like somebody, just tell them you don't like them and push them, and that's it; you're done. You might have ill will abroad, but you'll have applause at home. It's very simple. If foreign policy is saying: I can't be defined by the past, I have to be defined by the future, my responsibility is to take my country ahead in the 21st century; what kind of China do I want for the next 100 years? What does this require for China's role in the world? I know that not everybody back home might support this, because there are emotional issues, there are historical issues; I know that. So I have to bridge the gap between short-term and emotionalism and long-term national interest.

But that's why we call it leadership, right? That's why it's called statecraft, because if all you're doing is reflecting the emotions or the opinion of the moment, that's not leadership. That's kind of a clerical or administrative job. We simply survey everybody here. We ask, "Who do you dislike the most,"

and then give a speech about that person. That's not leadership at all. I'm just reflecting the emotions of today. But if supposedly, both from a Western perspective and from a Confucian perspective, we say somebody in leadership carries special responsibility because he has national responsibilities to protect the country's interests over the long term, so supposedly the leader sees something that might not be readily apparent to the general population.

China has such massive economic strength that the 21st century should in many ways be its golden moment.

So what I see is that China has such massive economic strength that the 21st century should in many ways be the golden moment for China. It should be the dominant economy in the world. But if it defines itself by friction with all of its neighbors, it's going to impede the ability to rise to that level.

QUESTION: My question is about the U.S. policy of engagement and China's reactionary policy. Historically, China has been a peaceful nation in respect to its neighbors, where it hasn't initiated a war or a huge offensive. Do you think the U.S. should be more engaged in the territory militarily? Because so many issues surround China, like Okinawa, South Korea, Taiwan, and this huge arms buildup. What do you think the U.S. should do in terms of the military in East Asia? And how would China react to a buildup of U.S. troops in East Asia?

AMB. LAVIN: First, I'll tell you my view of history. As I said before, I think China is largely a status quo power, but it has, as you would expect, strong sensitivities about its border and territorial integrity. In fact, you could say, if you look at 5,000 years of Chinese history, that the dominant issue is simply protecting the country. It's not necessarily a foreign policy or a view of the world or view of the international system or view of state behavior; it's simply maintaining China as a unified political entity. In moments of strength it means that China has hegemony or a tribute system; in moments of weakness China is insular. But that's 5,000 years of Chinese diplomacy: Keep the foreigners away, keep China intact. By the way, pretty successful. Not a bad foreign policy.

But now we're in an international system. Now the world is different because there are other major

powers, and so the requirement is for China to participate in a system which it can't easily or readily dominate or claim hegemony over, but from which it can also not withdraw. So the two most useful or more common elements over 5,000 years aren't easily available now. Some might say that is the bad news; but the good news is there are international mechanisms, so you don't need those elements. You have treaties, the United Nations, and the World Trade Organization, and other kinds of coordinating mechanisms so you can actually work out peaceful arrangements with your neighbors in a way that a thousand years ago you really couldn't. There are other mechanisms that China can use.

Interestingly, China and the U.S. both participated in the only two hot wars in Asia in the last 70 years. The U.S. invaded Vietnam, and China invaded Vietnam separately, two different times, and then China and the U.S. were both in Korea at the same time. So I don't think we can say China's never done it; you'd say China doesn't chronically do it. China, I don't think is militaristic or bellicose, but it doesn't hesitate to let smaller neighbors know that they're smaller neighbors. If China has a point to make, it makes its point. I don't think the U.S. is chronically interventionist, but if we think we've got to do it, we're going to do it as well.

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My view is that the problems we've got are generally manageable, but they do require an elevation of leadership and a longer-term vision in part. I would encourage the United States to stay closely involved in the region, maintain those military relationships. There's a phrase we have from international relations which is "provocative weakness"—a bit counterintuitive because we think about provocative strength or bellicosity, but there's also provocative weakness. We know this euphemistically from the expression that power abhors a vacuum, that you induce bad behavior if you don't show strength or you don't show resolve. One of my bits of advice to friends in Washington would be: Don't promote

provocative weakness, but stay with your friends and allies in the region so you're always part of the discussion.

QUESTION: Wouldn't you say it's also a matter of China's capacity to wage war? It's not so much its historical record—which, I agree, there are more incidents than that; you could talk about India back in 1962—but its capacity. If you're sitting in Taiwan, it doesn't matter to you that they haven't invaded, as a matter of course, their neighbors over the years. They've still got more than a thousand missiles facing you, a military doctrine, and everything else focused on you.

AMB. LAVIN: That's a very good point. I think when people say that in the 19th century, the only wars the United States fought were a major civil war, and then wars with Mexico and Canada, you'd ask: What conclusions would you draw from that? I wouldn't draw the conclusion that America was intrinsically pacific; I'd say we fought with anybody we could reach. If we could walk there, we fought. But I think you could say the same thing about China. No, it didn't fight with Russia; it didn't cross the desert to fight with Afghanistan; it couldn't get to Japan (maybe now it can); but the Chinese didn't have a problem fighting with people where they could walk to, they just couldn't get to anyplace else. So you're right.

I always think it's kind of a mistake in foreign policy analysis to ascribe characteristics to a population or a nation because I think you're going to have to look at realist analysis, cost-benefit analysis, and power dynamics that explain whether conflict takes place or not. It's back to the previous question: better to be safe than sorry? It's better for the U.S. to have arrangements and not need them, than to not have arrangements. All we have to do is look at the success of NATO during 60 years of the Cold War to say this was an extraordinary military alliance originally designed to forestall a Soviet attack, and that Soviet attack never took place. To my mind, it shows the alliance works; all the great democracies of the West worked together and maintained the peace in Europe.

QUESTION: I just have a question regarding Chinese international and domestic policies for climate change. I know that leading up to the Beijing Olympics, one of the concerns was the amount of pollution, smog, and carbon emissions. China has surpassed the U.S. in carbon emissions and is

continuing to climb as it produces more and more energy. I know that the Chinese do produce a lot when it comes to wind turbines, and they have been leaning toward being more of a producer for these things that are in demand. They have one of the largest hydro-dams, too.

But economically, since the U.S. may be starting to lean a little bit more toward looking into doing stuff and agreeing with things like the Kyoto Protocol with China possibly being one of the super-powers, the last to really seriously tackle this issue, how could this affect their economic policies, both domestic and international?

AMB. LAVIN: You've raised a really interesting and somewhat complicated set of issues. First, I think your premise is correct, that the Chinese probably have the weakest environmental management and enviro-regulatory environment of any major economy. I'm sure there are places that are weaker still, but this is a huge economy and if you follow the press reports, you know that just two weeks ago the pollution index in Beijing was the worst it's ever been, and it was compared to cities in the U.S. I was surprised—the U.S. has kind of worked through this. Now, it took us a few decades to work through it, and China is really at the very front end of this.

I think it raises questions about government priorities and government decision-making. It's just sort of conjecture on my part, but my guess is there are a lot of people in Chinese leadership who say: We've really just got to emphasize economic growth for the near term. We're climbing out of poverty, so please don't project Western priorities on us—you've got a priority of certain levels of pollution and cleanliness, environmental control, but you've already developed; you're already prosperous. We're still going down that path. So, rather than compare where you are today, why don't you compare us to where you were 100 years ago, and look at a Pittsburgh steel mill in the 1890s and talk about how there weren't any environmental controls or safety controls or labor protection or probably anything

there? But also, you probably had a lot of people say, there's a chance for a better life, just to get this steel mill going, so let's not be too fussy about it. This would be a school that says this desire for a better environment is very natural, but it comes with prosperity, and China's not going to reverse that order, I think. That's at least part of the discussion.

Then, part of the discussion is some of the comments I made in my remarks about the system, where there's limited information flow, there's limited scope for criticism—there's some scope for criticism—but what we have in the U.S. is, if someone were talking about it, there would at least be an open discussion: Is this regulation good or not, what are the tradeoffs, is it necessary? I think China would benefit from having these issues aired. But my guess is that it will have a go-slow approach on the regulatory front for the near term. It might take a good 10 years or so for China to get in the game.

I think we see that accentuated when you get to the global climate control issues, and you heard guys in Copenhagen say this: You understand from Beijing's perspective, what's going on here. You guys have made all the money and now you want to regulate it. We're just starting to make money and you want to change the rules. Would you please let us develop our country and develop our economy a bit before you change the rules on us? So we're not excited about capping this and limiting that; we've got to climb out of poverty. So they pushed back. By the way, India had worked with them, too, the other major developing economy that said: "We're not excited about some of these proposals from Copenhagen because we've got to provide for our people." So I think we'll see that continue.

—*Ambassador Franklin Lavin lives in Hong Kong, where he serves as CEO of Export Now. He previously served as Undersecretary for International Trade at the U.S. Department of Commerce, where he was lead negotiator for China. He has also served as U.S. Ambassador to Singapore (2001–2005).*