

REFRAMING CHINA POLICY: THE CARNEGIE DEBATES

“Is China at Present (or Will China Become) a Responsible Stakeholder in the International Community?”

Dan Blumenthal

Resident Fellow, The American Enterprise Institute

What does it mean to be a responsible stakeholder?

As Deputy Secretary of State, Robert Zoellick developed a detailed definition of what it means to be a responsible stakeholder.¹ In short, responsible stakeholders work to protect and strengthen the international system as it is currently constituted; they do not merely derive benefits from it.

Zoellick described key elements of the international system and responsible stakeholders' roles in it: responsible stakeholders work to expand open and free trade, sustain a functioning international energy market, promote and spread human rights and democracy, stem proliferation of weapons of mass destruction (WMD), are open and transparent regarding military affairs, and attempt to resolve conflicts through peaceful means.

Today, the system is under particular strain and threat, by jihadi terrorists seeking havens and weapons of mass destruction, an aggressive Iran pursuing WMD and regional hegemony, a North Korea sustaining itself by illicit trade in weapons, narcotics, and counterfeiting as it pursues nuclear weapons, and genocide in Sudan.

No less important, Zoellick made a link between the stability of the system and China's democratization at home: by virtue of its size, China's domestic problems threaten the entire system. In Zoellick's definition, real stability in China will only come from democratic and accountable governance. Indeed, the stability of the system as a whole is synonymous with more democratic and accountable governments.

Zoellick's speech is an aspirational document, a roadmap for how China can help strengthen the system from which it has benefited. It is also a framework for diplomacy with China, one that attempts to convince Beijing to accept a role as a country that strengthens the admittedly American-created system. It is an answer to China's stated policy of “peaceful development.” If China chooses to strengthen the international system, other responsible stakeholders within the system will know that its rise will be peaceful, unlike rising powers before it.

¹ “Whither China: From Membership to Responsibility?,” remarks of Robert B. Zoellick, Deputy Secretary of State, before the National Committee on U.S: China Relations, New York NY, September 21, 2005.

Measured against this definition, it is difficult to count China as a responsible stakeholder. While it has taken low-cost actions to help solve some of the challenges to the system, it has done so, for the most part, to alleviate U.S. pressure. It still refuses, however, to take high-cost or risky actions to sustain the international system. When it comes to tradeoffs between narrow interests such as oil, or thwarting threats to the system, it has chosen the former. Moreover, in some instances, China's approach has taken on the cast of a spoiler, perhaps even a balancer, to America's vision of international order.

Breaking down the elements of what constitutes the international system and measuring China's performance in each category one finds the following:

Counterproliferation:

Responsible stakeholders understand that certain regimes, aggressive, and linked to terrorist groups, are the greatest proliferation threats. The "great powers" should use all tools of statecraft to prevent those regimes in particular from obtaining weapons of mass destruction.

The system is particularly strained by the acquisition and heightened risk of nuclear weapons proliferation by North Korea and Iran. Responsible powers should work to stop or reverse these countries' nuclear programs. On these counts, China is not acting like a responsible stakeholder.

North Korea

On North Korea, China signed UN resolutions condemning or sanctioning Pyongyang but watered them down first. China is *the* country that has leverage over Kim Jong Il. But since North Korea's initiation of the recent round of nuclear brinkmanship in 2002, China's investment and trade in North Korea has grown markedly. Beijing has thrown a lifeline to this economically teetering regime allowing it to continue to defy the international community.

In the month after the October 2006 nuclear tests, Chinese investment in North Korea grew almost 21 percent compared to the same period the previous year. In comparison, Japan's was down 75 percent. China also supplies 70-90% of North Korea's fuel aid,² and is responsible for 56.7 percent of North Korea's foreign trade.³ Trade volume increased 7.5 percent from 2005 – *after* North Korea conducted missile and nuclear weapons tests.⁴

Beijing has refused to take action on the "stick" side of the multi-country North Korea policy. A responsible stakeholder would recognize the threat to the system both in

² Barry Newhouse, "China's Influence Over North Korea in Question," Voice of America, English Service, July 27, 2006.

³ "N Korea nuclear, missile tests reduce foreign trade," BBC Worldwide Monitoring, May 15, 2007.

⁴ "China reportedly makes little investment in North Korea since nuclear test, but two-way trade increases." Yonhap News Agency, February 2, 2007.

the short and long term, and do all it could to stop North Korea. U.S. policy toward China does little to encourage true Chinese cooperation. America infantilizes China by offering congratulations for “hosting” the Six Party Talks, or signing, but not complying with, international sanctions.

A responsible stakeholder would take responsibility for an international threat over which it has the most influence. Australia’s lead on Indonesian problems is a good example of responsible stakeholder behavior: Canberra has the most influence and it has been the leader in helping bring stability to Jakarta.

Iran

With regards to Iran, China has similarly weakened international efforts to pressure Tehran, signing United Nations resolutions it then publicly assures the Islamic Republic were meaningless. After signing Resolution 1747 in March 2007, China’s permanent representative to the United Nations noted that: “the purpose of the new resolution was not to punish Iran, but to urge Iran to return to the negotiations and reactivate diplomatic efforts. The relevant sanction measures should neither harm the Iranian people nor affect normal economic, trade and financial exchanges between Iran and other countries.”⁵

As the EU and the U.S. tried to isolate Tehran, Beijing’s energy partnership with Tehran grew to more than \$120 billion,⁶ with 30 major transactions since 2000 accounting for \$101.6 billion of that total.⁷ By virtue of its relationship with China, Iran has a card to play against American and EU pressure. China has hosted and feted Ahmadinejad when the civilized world was trying to isolate him. Iranian leaders boldly brag of their relations with the “Chinese superpower,” making it more difficult for the international community to apply the kind of pressure necessary for Tehran to abandon its WMD programs.

In addition, the Bush administration has sanctioned Chinese entities for continuing to sell missile-related technology to Tehran even as the crisis has intensified.⁸ It is hard to imagine that China could not stop such proliferation if doing so were a high priority for it. In terms of thwarting the greatest proliferation threats to the system today, it is unwilling to pay the costs and take the risks necessary to stop Iran and North Korea from acquiring nuclear weapons.

Asian Security:

⁵ United Nations Department of Public Information, “Security Council toughens sanctions against Iran, adds arms embargo, with unanimous adoption of Resolution 1747 (2007).” (Press Release on 5647th Security Council meeting SC/8980, Mar 24, 2007).

⁶ Ilan Berman, “The Impact of the Sino-Iranian Strategic Partnership,” (testimony before the U.S.-China Economic and Security Review Commission, Washington DC, September 14, 2006).

⁷ “Global Investment in Iran: Interactive,” The American Enterprise Institute, <http://www.aei.org/IranInteractive/>

⁸ Daniel Pinkston, (testimony before the U.S.-China Economic and Security Review Commission, Washington, March 10, 2005).

The Asian system, mostly peaceful, prosperous, and democratic, needs to be strengthened. The principles of openness, transparency, good governance, and the peaceful resolution of disputes, should characterize Asian security.

It is true that China has shown a kinder gentler face to Asia in the early parts of the 21st century. China has engaged in more Asian fora, intensified trade, and put territorial disputes on the back burner. But these actions seem aimed at parrying counterbalancing coalitions. They have also been low-cost actions.

China will not allow the most important security issues to be discussed in the multitude of Asian fora that it has joined. For example, it muzzles any talk of the Taiwan issue, which is *the* security flashpoint in Asia. Nor are South Korea and Japan satisfied with the level of information China has provided on the issue of North Korean contingencies. What are all those Chinese troops on the North Korean border going to do if there is a North Korean collapse? What is China's thinking behind increased trade with North Korea? Nobody knows, but recently Seoul has made clear it wants to know. Regional security fora that do not include discussions of these issues are not very useful.

In addition, the military buildup across the Taiwan Strait does not contribute to Asian peace and security. Shows of force in the East China Sea exacerbate rivalries with Japan. China is a protagonist in the region's most dangerous flashpoints, yet it refuses to allow for open and honest discussion of means to resolve them.

The bigger, long-term question is whether China's regional engagement is instrumental, whether it is a strategy of reassurance while it grows its power and makes a play for regional dominance. Its maneuverings in the East Asia Summit (EAS) fall squarely in the "play for dominance" category. First, China worked to keep India and Australia out. Then, when that strategy failed, it forwarded a position that called for an "ASEAN plus 3" framework to form the core of the EAS. The Shanghai Cooperation Organization is not a U.S.-friendly institution either, serving as a forum for a very public eviction of American forces from Uzbekistan in 2005.

Energy Security:

Responsible stakeholders rely upon the oil market, not mercantilism, for their supply. They share responsibility for security of supply, which means contributing to the stability of supplier regions.

China is concerned about an American-led hostile supply disruption of petroleum. It believes that America controls and manipulates the market to contain it. Beijing maintains this belief despite numerous initiatives on America's part to engage and cooperate with China on energy security.

Chinese suspicions partly explain China's behavior in entering markets America has sanctioned. It is also increasingly focused on military solutions and options to protect its own energy supplies. A China moving toward power projection and a blue water navy

is a China unhappy with, and mistrustful of, the current energy security system, and looking to change it.

Economic Development and Assistance:

In accord with the principles of the leading democratic powers, promotion of openness, lack of corruption, good governance, and furtherance of collective rather than purely national goods are all expected of a responsible stakeholder.

With regards to economic development and assistance, China is becoming more active. In principle that is positive. But aid groups, the World Bank, and NGOs have expressed concerns about giving corrupt or repressive regimes alternatives to the conditions that these institutions lay down.

China is witnessing some blowback in Africa and Latin America against Chinese practices, whether it is low labor standards, or the practice of bringing Chinese laborers to work at the expense of native populations. Hopefully, resistance to the Chinese way of providing aid and assistance may cause Beijing to rethink its approach.

Open and Rules-Based Economy:

Responsible stakeholders work to open and liberalize new markets and abide by the rules of the international trading system.

China has done quite well in the free trade area. As a latecomer to the WTO, it had to sign on to more stringent obligations than did other member countries. It has also made serious strides in economic liberalization. What economists complain about is the lack of leadership on Beijing's part. A responsible stakeholder would, for example, take a leadership role in the Doha round trade as the international consensus on trade threatens to fall apart. Currently China is sitting on the sidelines.

Zoellick also mentioned the importance of fairness to sustain the international economic system. The perception and, to some extent, reality is that China is not playing by the rules. This is certainly the case when it comes to protection of intellectual property rights so important to the U.S. economy. The numbers are staggering: IP-related industries suffer \$650 billion in annual losses from counterfeits, and by some estimates China accounts for 70% of the counterfeit market.

Peacekeeping and Enforcement:

For responsible stakeholders, intervention becomes necessary in unstable states from which terrorist threats could emanate. Peacekeepers and enforcers have to be nation builders as well and therefore sensitive to human rights.

It is responsible of China to generate forces for peacekeeping operations. Its commitment to "non-interference," however, has complicated peacekeeping efforts in

such places as Sudan. As a permanent member of the UN Security Council, it has a special role to play in encouraging interventions to stop genocide.

China's own human rights record poses complications in accepting it as a more active peacekeeper. Other responsible stakeholders want peacekeepers to adhere to human rights standards, especially in the murky places to which they are sent. The People's Liberation Army and the People's Armed Police do not have strong human rights records, which makes the full embrace of China as a peacekeeper more difficult.

Human Rights/State-Sponsored Genocide:

Responsible stakeholders recognize that they have a moral imperative to stop genocide and civil war, and they realize that humanitarian disasters can destabilize key parts of the world.

In selling arms and providing diplomatic cover to the Khartoum regime in Sudan, Beijing has not helped alleviate the human rights calamity in that country. Neither does it care about the suffering of the North Koreans, as it refuses even to comply with its UNHCR obligations.

China has consistently protected Khartoum from serious diplomatic repercussions. Beijing succeeded in watering down at least four Security Council resolutions by this author's count. China is also Sudan's largest trading partner, purchasing roughly two-thirds of Sudan's exports and providing some 20 percent of its imports. As much as 70 percent of Khartoum's oil revenues go to military spending, according to a former Sudanese finance minister. Over the past decade China has been the chief supplier of weapons, military supplies, and weapons technology to the Khartoum regime, despite the 2005 UN arms embargo on the government. UN investigators have found that most of the small arms used in conflict in Sudan have been of Chinese origin.

China has stumbled into the criticism of international NGOs, parliaments, and congresses. It is much harder to support these kinds of regimes in the 21st century without being held to account by the international community. China has little experience with this kind of international uproar. So Beijing finds itself on the defensive, afraid that it may affect the success of the 2008 Olympics.

To some extent, international pressure has moved China an inch or two in the right direction. Beijing helped to gain Sudanese acceptance on November 16, 2006 of a three-phase plan for deployment of a hybrid African Union/UN peacekeeping force of 22,000 troops. China also pledged \$5.2 million in humanitarian assistance for Darfur. At the same time, Hu Jintao announced new economic agreements, including a write-off of \$80 million of Sudanese debt and an interest-free loan of \$13 million for infrastructure projects, including a new presidential palace.

Liu Guijin, China's troubleshooter on Africa, defended Chinese investment in Sudan on Tuesday as a better way to stop the bloodshed in Darfur. He said he saw no desperation in refugee camps in Darfur during recent visit.⁹

As international pressure on China can minimally change Chinese behavior, it continues to downplay the crisis and will continue to choose oil over systemic stability.

What can the U.S. do to encourage or compel China to become a more responsible stakeholder?

There is a fundamental problem in America defining China's interests. While the responsible stakeholder framework provides a blueprint for what we think our mutual interests should be, ultimately China defines its own interests. We think China has an interest in a non-nuclear North Korea. China claims to agree, but other interests clearly come first – avoiding a refugee crisis, regime stability, and continuance of North Korea as a buffer state. Tougher measures by Beijing to press Pyongyang to abandon its weapons programs certainly risk instability or even collapse in North Korea. Furthermore, China does not believe these are worth the prize of a disarmed North Korea. This is a fundamental Sino-American disagreement.

We think China has an interest in a non-nuclear, non-hegemonic Iran. China says it agrees, but it will not pay the price. That price would be helping to isolate Iran, for example. Unfortunately, oil comes first for China.

We think China and all responsible stakeholders have an interest in remedying the human rights situation in Darfur, and an interest in seeing that the instability does not spread to other parts of Africa. However, China has expressed little concern about the human rights situation in Darfur, because it does not define the humanitarian issue as an interest.

Getting China to behave in certain ways may be in our interest, but interests are not abstract or immutable, they are defined by a particular regime. China will define its own interests.

The responsible stakeholder concept is a framework for convincing China to strengthen the international system. But China does not like many features of the international system. Beijing does not like intervention in domestic affairs. They believe Taiwan is an internal issue, so they do not like countries telling them that their military build-up is disruptive to the international system. They do not believe that aid and loans should be used to set standards of governance.

There are some limited ways to try and get China to behave more responsibly. China is obviously uncomfortable by the international uproar over its obstructionism in Darfur. It wants a successful Olympics. Keeping up the drumbeat of pressure, whether

⁹ Mark Silva and Paul Salopek, "U.S. adds to Sudan Sanctions; But Experts Say Broader Global Support Needed to Help Darfur." *The Chicago Tribune*, May 30, 2007.

from European and Asian governments, from NGOs and from Congress, may get China to alter Sudan's behavior. Of course, the United States needs to be "more Catholic than the Pope" on human rights since we are guaranteeing this system and preaching its benefits.

There are tougher measures the U.S. can take to try and align Sino-American interests. It can make the costs of limited action on North Korea higher – it can elevate that problem to a defining issue of the relationship, for example.

On Iran, moving China in alignment with our interests requires a concert of the United States, the European Union, and Middle Eastern countries speaking to China with one voice about our fears of a nuclear Iran. In both cases we should raise the pressure on China: If we cannot work together to disarm North Korea and Iran, the system itself, from which we have so greatly benefited, is in danger. Clearly if the system is in danger good Sino-American relations are in danger.

But the prerequisite for systemic stability – getting China to accept and sustain the system rather than change it – is continued American military predominance, strong alliances and partnerships, and regional leadership. While we look for areas of cooperation we also must prevent China's acquisition of capabilities that harm our core interests in Asia, and be prepared for a China that may decide to be more assertive once it is more capable.

A values-based security community in Asia could help China become a more responsible stakeholder. China will argue that it is being "contained," but there is no reason why the community must necessarily be one of containment. The community should be open to all countries meeting its criteria. Chinese reformers can push their country to meet the criteria or risk being left out. There is an appetite for it -- in fact, it was proposed by Japan, of all countries. This initiative may also push China to become a responsible stakeholder by accepting democratic norms, transparency in security affairs and other key elements of the international system. The recent reputational hits that China has sustained for its tainted food and other products represent a larger problem of transparency and accountability within China. China's trading partners can insist on greater transparency and Beijing may respond to avoid an economic downturn.

While there are some steps Washington can take, ultimately our options are limited. Only China can change China. We can make sure we remain Asia's leader, we can try and deter Chinese military actions, and we can try and persuade China to be more forceful with North Korea. But we cannot convince China to conform to our definition of a responsible stakeholder. It will have to do so on its own. A change in China's external behavior of a magnitude that conforms to our definition of a responsible stakeholder will only come through internal reform.