



Woodrow Wilson  
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*Impact of U.S.-China Relations on Asia*  
Transcription

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**Stapleton Roy:**

Our goal at the Kissinger Institute on China and the United States is to try to improve understanding of issues in the U.S.-China relationship. It's an enormously important relationship, sometimes good, sometimes filled with tension. The question we examine today is how do neighboring countries in Asia feel about the U.S.-China relationship? Are they pleased by close relations? Do they think we are getting too close to China at times? Do they feel threatened if we are having high tensions with China because it impacts on their interests? Our intention is to provide some insight into how the U.S.-China relationship is looked at in the region.

To do that we brought in some very distinguished specialists on China and on international affairs from the region. Professor Seiichiro Tagaki from Japan has published books about China watching, looking at the issue from different perspectives.

Professor Brahma Chellaney from India works on policy issues there and follows the complicated question of how India views the rise of China.

Professor Simon Tay from Singapore is a distinguished public figure, a consultant, and Chairman of the Singapore Institute of International Affairs.

Mr. Fyodor Lukyanov from Russia who has been a journalist, a commentator and is now an editor of an international affairs journal called "Russia in Global Affairs."

We thought it would be useful to hear these scholars' insights on how the U.S.-China relationship is viewed and what impact it has on the interests of their countries.

**Seiichiro Takagi:**

Thank you Ambassador Roy. Good morning everybody. Given the limited time, I will limit my comments to a very simple point. I will start with this notion of alliance dilemma. As you know, the United States is the only formal ally of Japan. China is an enormous neighbor. For these two reasons, the state of U.S.-China relations is a matter of serious concern. Japan's concern can be understood with reference to this notion of alliance dilemma, which means that countries in an alliance relationship have two



opposite kinds of fears: one is to be abandoned, while the other is to be entangled in the conflict which the other partner gets involved in. During the Cold War – in the early phases of the Cold War- Japan was entangled in the U.S.-China confrontation. When President Nixon announced in July 1971 that he would go to China the following year, there was a sense that Japan was being abandoned, or sidelined, or surpassed. But actually this was a blessing in disguise. It enabled Japan to establish diplomatic ties with China and thus promote a basically positive relationship. That is, the U.S.-China pseudo-alliance created conditions for a basically positive Sino-Japanese relationship.

After the end of the Cold War, U.S.-China relations became very complex and unstable, exhibiting elements of both conflict and cooperation without any stable pattern of dominance. The relationship fluctuated widely, although within a narrow range. When the relationship deteriorated it didn't go all the way to head-on confrontation; when the relationship improved, it didn't go all the way to full-fledged cooperation.

In this new context, Japan-China relations developed without any direct impact from U.S.-China relations. But more recently, with the enormous economic influence of China and with the relatively stagnant U.S. economy, there was a very delicate shift in the power balance between the U.S. and China. And this led to two interesting developments in U.S.-China relations, which have the potential for two kinds of dilemmas – or two sides of a dilemma – for Japan's alliance relationship with the United States. One is this notion of G2, which might mean institutionalizing the sidelining of Japan, which in turn raises the danger of abandonment. And the other is the confrontation or what seems to be the developing confrontation in the maritime sphere between the Chinese navy and the U.S. navy in the ocean surrounding China. I think what we see at present is basically shadow boxing and that we are not facing any serious confrontation between the two countries. But it does have such potential which is very worrisome from the Japanese point of view. I think my time has run out; thank you very much.

**Professor Chellaney:**

Since the end of the Cold War, we have seen a shift from the primacy of military power to a greater role for economic power in shaping geopolitics. This period since the end of the Cold War has also coincided with the economic rise of Asia. In fact, Asia's phenomenal economic success story is contributing to the ongoing global power shifts.

Yet Asia faces five daunting challenges. How it addresses these challenges will very much influence its future.

At the center of these challenges is China. Challenge number one is to overcome the baggage of history. Harmful historical legacies weigh down all major inter-state relationships in Asia; negative stereotyping of a rival nation is common. And China's increasingly aggressive territorial and maritime claims, which have become so evident this year, are very much keeping alive the history issue. This makes it even more difficult to overcome the baggage of history.



The second challenge is to cage the demons of nationalism that have been let loose in large parts of Asia. The decline of political ideology has been compensated for by the embrace of nationalism, in fact of ultra nationalism. Nationalism is also a vehicle for fashioning a state's political resurgence.

The third challenge in Asia is to banish the threat of hegemony by any single state, as Europe has done, so that greater political cooperation on shared goals can be achieved. Europe has achieved power equilibrium between and among its important players. But in Asia we see not power equilibrium but power disequilibrium. If you look at Europe, the largest state, the largest economy, Germany, does not aspire to dominate Europe. In fact, Germany has learned to be one among equals. In Asia we don't have that situation. China does not hide its ambition to be the dominant player. In fact it wants a unipolar Asia while it tries for a multi-polar world.

Challenge four in Asia, in the absence of a unified identity, is to fashion common norms and values. It is impossible to build any Asian community if there are no common norms and values. Even though the East Asian summit is to be expanded with inclusion of the United States, the fact is until there are some common norms and values in Asia we can't hope to see any kind of Asian security architecture evolve.

Challenge five is to improve regional geopolitics; given the fact that territorial and maritime claims are becoming increasingly fervent, and given also the fact that nationalism is the undercurrent driving the attitudes of nations towards each other. In this setting just emphasizing greater economic interdependence is not enough because we have seen Asia becoming more interdependent economically, yet becoming more divided politically. So there has to be increasing focus on better politics as much as on better economics. Both have to go together.

Against this background I believe that there are at least four possible Asian security scenarios.

The first is the rise of a Sino-centric Asia, which is the scenario that Beijing would like to come true. But I think that is the least likely scenario. Because China's actions are actually driving a number of Asian states to look to the United States as a protector. So in a way, China's actions are proving to be a diplomatic boom for the United States. Also, if China wants to be Asia's leader, just brute power will not be enough. It needs the consent, or at least tacit acceptance, of other nations states in Asia. So I think the Sino-centric Asian scenario is a very unlikely scenario.

A second possibility is that the U.S. remains Asia's principle security anchor. I think that scenario is a safe bet because if you look twenty-five years hence, it is apparent that no power or combination of powers will be able to displace the United States -or match the United States -- in terms of naval capabilities or force protection capability, in terms of the range of military bases that the U.S. maintains in Asia, or even in the number of allies and partners the U.S. has in Asia. So it's a pretty safe bet that even in the next quarter



century you will see the United States remaining the central security player in Asia. And even though America's central role is safe in Asia, I think what is really important is how credible American security assurances are to its allies and partners. The issue is not so much the trajectory of U.S. policy, which is clear, but the issue is more about the credibility of American security assurances. Will the U.S. be willing to stand up for its allies and partners when it comes to the crunch? This is an important question.

The third scenario is the emergence of a constellation of Asian states tied together by common interests and working to preserve a power equilibrium in Asia. I think that scenario can unfold, even with scenario number two remaining in place. That is, Asia can have both America being the central security player and also it can see the rise of a constellation of Asian states working together to build a power equilibrium.

The fourth scenario is of an Asia characterized by several resurgent powers- Japan, India, Indonesia, Vietnam, and a reunified Korea. That scenario at the moment looks a bit far-fetched, but it's a scenario nonetheless that could happen if events go wrong in Asia.

So let me stop because I've exceeded my time, thank you.

**Fyodor Lukyanov:**

Unlike other big powers and big actors in Asia, Russia is in a very special position. As far as location is concerned two-thirds of Russian territory is in Asia, and in this regard Russia is one of the biggest Asian powers. As far as human resources are concerned, three-fourths of the Russian population lives in Europe. As for mentality, culture and psychology, even those of Russians living in the Asian part of the country remain Europeans.

Russian foreign policy used to be very much West-centric, dating back many centuries and up to, and especially during, the Soviet time and after the collapse of the Soviet Union. West-centric however does not mean pro-Western because during previous periods, for example during the Cold War, we had a major confrontation with the West, but in spite of this the West has always served as a reference point to the Russian system of coordinates.

Now the situation is changing as Europe is disappearing gradually from the strategic screen, and is losing its significance as a player -as an international player. A major shift in international development is moving towards the Asia-Pacific and South Asia. Russia is trying to re-evaluate its general strategy and to become more important and more active in Asian affairs.

In the last twenty years Russia has gone through a very difficult period: first collapsing from the status of superpower and head of a pure Soviet international system, to a country struggling for survival, both economically and politically. Then recovering relatively quickly because of a coincidence of factors. Most importantly, oil and gas prices and the



world market. And in other ways restoring some influence on the international scene. But this process, which was more or less successful from the point of view of Russia, has been completed now. Because all the resources accounting for growth after the collapse of the Soviet Union have been exhausted. There are no opportunities to continue a restoration of Russian power as Vladimir Putin did during this decade.

The relationship between the United States and China has become the most important relationship for Russia on the world stage because the two comprise the whole context for Russian behavior. Traditionally, Moscow had a very intense relationship both with Washington and Beijing, but those relationships used to be seen separately, not connected.

Now on the one hand, with the United States, we have achieved a threshold where we need to launch a completely new agenda – an agenda for the 21<sup>st</sup> century. Because up until now, we have still been in the framework of the Cold War, even including the very successful policy of reset, launched by the Obama Administration last year (and I think this policy was really very, very good). But this policy has been completed now, because we achieved some progress on all issues, such as arms control and Afghanistan. However, all of these issues basically belong to the previous period; these were legacies of the Cold War, which remained unresolved after the collapse of the Soviet Union and the emergence of a new international system. I don't believe that reset will continue because all its goals have been achieved. Now we need a completely new framework for our relationship; a completely new agenda, which will match the reality of the 21<sup>st</sup> century.

To formulate this agenda, I believe that the most important factor will be China, because China's rise poses challenges both for United States and Russia. From completely different angles, because we are in completely different positions. But in terms of confusion on how to deal with a rising China in the future, we are similar, strangely enough. And in this regard I think that Russia and the U.S., after another period of turmoil tied to the election campaigns here and in Russia, will need to start to reassess the Russian-U.S. relationship based in the first instance on developments in Asia.

The relationship with China is also changing because Russia is starting to realize that the major threat-or major risk - posed by Chinese development is not a military threat. It is also not a demographic threat of population expansion, as many people expected a couple of years ago, the worry that millions of Chinese immigrants would come to occupy Siberia. That fear was very much exaggerated.

But the real problem for Russia, which is a strategic one, is a growing disparity in economic development between the Asian part of Russia and China. And if things continue as they are now going, then in maybe ten, fifteen, or a maximum of twenty years time, the fact is, the eastern part of Russia will be part of China's economic sphere. Even if there is no formal challenge to Russian sovereignty.



That is why I think the coordination of efforts to build a peaceful, constructive but balanced relationship with China will shape, must shape the Russian-American relationship in years and decades to come. I hope our leaders will be able to understand this imperative.

To protect Russian interests in Asia, the main instrument for Moscow will be to diversify relations – not to focus entirely on China. China is a very important partner, maybe the most important partner. But just because of that, Russia will need to seek cooperation, economic and political – with the United States, with Japan, with South Korea, with India, and with ASEAN countries. This process is starting now. It will be very difficult because any attempt to overcome stereotypes will be very painful. But I don't think we have any other choice.

**Simon Tay:**

I am from Singapore, but I would like to share my thoughts with you about not just Singapore – rather, about Southeast Asia generally. The think tank that I run has been very much involved in pan-Asian work. I've written a book called *Asia Alone*, which looks at relations between Asia and America. But primarily I have to draw my experience as a former lawmaker to try to be as succinct as possible. And really take you through three steps. First there are upcoming events, opportunities. Second there is a kind of challenge or problem. And third, I hope there is an approach or solution I can offer.

First, the opportunities. Friday, President Obama, while in New York, will meet the leaders of ASEAN at the second U.S.-ASEAN summit. Further down the road we're planning the first East Asia Summit, which will bring President Obama perhaps in about a year and a half to meet with leaders not only from Southeast Asia, not only from North East Asia, but also India, Australia, New Zealand and Russia. I think these events are really opportunities for the USA to engage Asia and this rising sense of Asia others have spoken about in a much more multilateral way, which is very important.

That brings me to the second thing, about the challenges or problems. I think others have touched on it, and let me emphasize this again. In the post-crisis period, there is a perception that America is challenged and facing many difficulties and in comparison, China has come up relatively a winner, relatively the engine that could pull growth to keep Asia growing. Now I mentioned the word "perceptions." In my own estimate, this country remains far ahead in many measures; it is very resilient and I never write America off. But this is a challenge in the sense that the perception is strong, both in China but also in the near abroad across Asia. And this might be a lost opportunity for America.

So let me move on to my third point -- the approach or solutions might be that we can hope for. This is basically American continued engagement. I think the Obama administration and Secretary of State Clinton have made the right steps to engage with ASEAN and Asia and these have been welcomed. We've noticed however, that many





times there are domestic exigencies that prevent a deeper engagement or at times, prevent just coming to the region. The twice-postponed Presidential visit to Indonesia is significant, given the strategic importance of Indonesia as a democracy, and as the world's most populous Muslim country. It is a strategic partner-a potential strategic partner -- for America in Southeast Asia.

In this sense we hope that America more broadly, and not just the Administration, will recognize the importance of Asia and especially ASEAN. Now sometimes when I talk about ASEAN – I spent last year in New York at the Asia Society – I feel that when people mention Asia the image is three parts China, one part India, and who are these Southeast Asian guys that Obama is meeting? I want to tell you that politically, ASEAN has been the major host of all Pan Asian events-like the East Asia Summit, of which we are now a member. Secondly, economically, free trade agreements link ASEAN amongst themselves to create a 500 million person econ-market. This will be fully integrated by 2015, which is not that far away. More than that, the 500 million in ASEAN, are from this year on linked to the Chinese market through an FTA. And there are FTAs with South Korea, Japan, India – just about everyone who matters to ASEAN, except America.

I realize that many domestic constituencies here in America think that joblessness has been caused by exporting to Asia; that a lot of problems of globalization are Asian-faced, and not a very handsome Asian-face at that.

But I do want to tell you that I think America has to be engaged if it is to be – and continues to be – a great power. Not just in its own hemisphere, but across the world. When I say continue to engage, however I believe that post-crisis, America can not seek to dominate the region. Most of us in Southeast Asia are concerned that if tensions rise between America and China, we will be forced into some sort of either/or choice. This is really a dilemma for us, because we look to America for leadership, both strategically, as well as economically. But right now a lot of economic horses are pulling the Chinese wagon.

**Stapleton Roy:**

I think you can see that there are some very different perspectives on what's going on in the region and what's going on in U.S.-China relations, reflecting the very different geographic circumstances and national interests of the various players.

We are not talking about small players. These are big countries. In India's case, a rapidly rising country, a potential rival of China. Southeast Asia, as I think professor Tay spelled out, has a type of cohesion that makes it different from simply a collection of ten Balkan states. Because the Association of Southeast Asian Nations has actually been able to force China to deal with them collectively on issues that China would prefer to deal with them bilaterally. So the existence of this collection of cohesive Southeast Asian states alters the whole nature of the balance of power in East Asia. It's not simply big powers in the north and a collection of loose, smaller countries in the south. You actually have a



cohesive group of smaller countries in the south. And Indonesia has a population of 230 million people, so it is not, shall we say a pygmy, by any means.

In any event this gives you a flavor of what we spent yesterday discussing at the Woodrow Wilson Center and I thought it would be useful to have some time here for any of you to raise questions that come to your mind, in listening to this type of a presentation.

### Question and Answer

#### **John Long (House Committee on Foreign Affairs):**

I'd like to come at U.S.-China relations through the back door, in a different sense from the way that the Chinese normally use the phrase.

Professor Takagai spoke about maritime issues and there is in fact one now going on in the Senkaku / Diaoyutai Islands between Japan and China. Japan is still holding a Chinese fisherman, while the Chinese have demanded his release. This has interesting implications also for the U.S. It also touches indirectly on the question of possible growth of the Japanese military and the Japanese navy, which has been the subject of some discussion in Japan since it may require modification of its constitution. This also gets at the U.S. role in the region, which is to protect general interests and also for our own navy's interest for protecting rights of innocent passage through various straits. But also for Professor Tay, the question of a possible resurgence of the Japanese military forces- what that might mean for the region in terms of the balance with China's growing strength. I realize my comments are more a statement than a question. But perhaps each of you can come at it in whatever way you would like.

#### **Stapleton Roy:**

Professor Takagi, would you like to address the Senkakus and any of the other issues there that you would feel were relevant?

#### **Seiichiro Takagi:**

The Senkaku issue currently going on, unfortunately, represents how difficult it is to manage these kinds of issues between China and Japan.

Japan, just like the United States, is a country where rule of law prevails and separation of powers is the basic structure of the system. The detention of the captain of the boat is now in the hands of the legal department of the society. The executive and legislature are not supposed to get involved in this process. But of course China does not share this system and it is very difficult for them to understand why the captain is not released if Japan seeks a positive relationship with China. So I think the issue will continue to fester until the captain is released.





I think we need to focus on the broader context of this problem. That is, enhanced Chinese assertiveness in the maritime sphere – which I did touch upon in my presentation, with the South China Sea included -- all these are connected obviously. If this conflict ignites nationalism, especially on the Chinese side – I think Japan has been quite calm on this (and of course the danger of nationalism was very well expressed by Professor Chellaney) – then it might involve at least a semi-military action on the part of China. Then it will involve the U.S.-Japan alliance; I think the United States would be put in a very difficult position. So it is quite understandable that the U.S. has been admonishing both parties to limit the issue to the diplomatic sphere and handle this through dialogue and consultation.

**Stapleton Roy:**

Would any of the others of you- Professor Chellaney?

**Brahma Chellaney:**

I think the Senkaku/Diaoyu Islands issue is an important symbol of what we're seeing in the larger Asian scene. Because this is just one territorial issue amongst several that is rearing its ugly head in Asia.

China has been involved in territorial disputes with other countries, two in fact against India. In the last four years it has resurrected its claim over a large Indian state which is three times the size of Taiwan, Arunachal Pradesh. It's a water-rich area and recently just this year the Chinese have announced plans to build the world's largest dam on the border with India on the Brahmaputra River at a place called Mutuo. This dam will have a capacity to generate 38,000 megawatts of electricity, which is more than twice the capacity of Three-Gorges Dam.

Ever since they began taking interest in the water resources of this state in India, Arunachal Pradesh, they have been laying claim to that region and calling it, since 2006, Southern Tibet. In the last four years since they resurrected their claim on that state, the Indian defense ministry has reported a rising tide of cross-border incursions by the PLA. For example in 2008 the Indian defense ministry reported 270 PLA incursions into India and something like 2200 cases of aggressive border patrolling by the PLA. In 2009 they reported a 10% increase – and this year they're saying that there is roughly one PLA incursion per day.

Now all this is not being reported widely internationally but I'm emphasizing it to point out that what's happening in regard to the Senkaku/Diaoyu issue is only one component of a larger picture.

But coming to the Senkaku issue, Japan has been controlling the Senkaku island chain since 1895. And you also have to see in what context China has resurrected its claim to the Senkaku/Diaoyu islands. Under Article Three of the San Francisco Treaty of 1951



when the Senkaku Island chain came under U.S. administration, no objection was raised by Beijing. In 1969 when the Okinawa Diversion Treaty was signed under which the U.S. pledged to return Okinawa and the islands southwest of Okinawa, including Senkaku, there was no objection from China. In 1972, when Okinawa and the southwestern islands were returned to Japan, there was no objection. Only in the second half of the 1970's, when the issue of developing petroleum resources on the continental shelf of the East China Sea came up, did China suddenly express interest in the Senkaku Islands issue.

Regarding the issue raised about Japan and militarism, I think that is very much tied with U.S. policy. Will there be ambiguity in U.S. policy regarding Senkaku islands? In terms of the U.S.-Japan treaty, does the U.S.-Japan treaty cover Senkaku islands chain or not? If there is any ambiguity in that, if the U.S. were to take – let's say a neutral position – or create ambiguity on the issue, then it'll create the lever for Japanese militarism to rear its ugly head.

**Simon Tay:**

May I touch on the South China Sea and the territorial claims there? This has come to the forefront in the recent ASEAN Regional Forum when Secretary of State Clinton made a comment – a strong remark on this to her Chinese counterparts and the rest of ASEAN. I would say those comments were welcomed by most of Southeast Asians, especially those with competing claims with China. However in terms of the longer term outlook, I would like to differentiate some of the views I have from what may have been said before.

Southeast Asians at this point in time do not necessarily see that China will push its claims by purely military or naval means. I think that there are constituencies in China who will take to the idea of international law or joint development. And after the statements Secretary of State Clinton, which were welcomed, I think they will be waiting to see how China rethinks its position.

In this sense, it's not the naïveté of Southeast Asians – it's what Amb. Roy referred to as our experience of multilaterally trying to negotiate with China. In the recent past, we had a multilateral code of conduct where China was not any guiltier than some of the ASEAN claimants. I think that we have to understand why they may have gone to a further position of calling this their core interest. Hopefully, after the statement by Clinton, China will reconsider its position and especially with the Southeast Asians showing a more multilateral approach to negotiating with them.

**Stapleton Roy:**

Mr. Lukyanov would you like to add anything?



**Fyodor Lukyanov:**

This problem fortunately quite far away from Russia -we have a lot of problems but not this with the South China Sea, yet.

**Stapleton Roy:**

We can also mention that Russia has settled its territorial disputes.

**Fyodor Lukyanov:**

Yes, exactly. I wanted to say that Russia has had a very complicated relationship with China in terms of territorial claims. Some people in Russia say that those problems will come back in the future because in China, not officially, not formally, but in the political discourse, there are discussions about the so-called “unequal treaty” signed between the Russian empire and China in the second half of the 19<sup>th</sup> century. Officially nobody challenges them, but unofficially the term “unequal treaty” can have different consequences in the future.

The last round of territorial settlements between Russia and China, the final document of which was signed four or five years ago on the small islands in Amur River, was criticized in Russia quite heavily by many people, both in the region and in Moscow, saying that Russia made unnecessary concessions. But I think in this particular case, the Russian government was very right, because its logic was simple: if you can have some deal now with the country which inevitably will be much stronger in ten, fifteen, twenty years time, much stronger than Russia, then probably it's better to settle the situation now and not wait until their claims will extend to other territories. And in this regard, this settlement was OK.

But what is important to understand in our case, in our relationship with China, is our different development (compared to China) after the end of the Cold War. Russia experienced collapse and Russia lost territories all the time. Territory which was seen not as colonies, not as some remote territories, but core parts of Russian historic territory and integral parts of Russia's national heritage, like Ukraine, parts of Kazakhstan and so on. That had a very negative influence on the Russian political mood, and the depression it caused in political thinking used to be quite dangerous for development.

The Chinese case is exactly the opposite. China only gained after the Cold War; China restored sovereignty over Hong Kong and Macau. China settled all territorial issues with Russia and other Central Asian countries, in ways beneficial to China. China is expecting to, sooner or later, reunite with Taiwan. And in this regard we have completely different trends in our development, trends which have no practical implications just now but I think in the future might well be important.



**Stapleton Roy:**

Thank you. Any other thoughts or questions? Yes, Kent?

**Kent Hughes (Wilson Center):**

I have a question for Professor Chellaney. One of the elements that you didn't mention that is a source of tension in Asia, is Kashmir. A recent Financial Times article called for some movement on Kashmir. From an almost global point of view, if some settlement were found there, it would shift the balance of power in Afghanistan and arguably free India to focus more on its border with China. Do you see any prospects for movement on Kashmir?

**Brahma Chellaney:**

Well, some times when a dispute is un-resolvable, (and I think Kashmir falls into that category to be frank), the best way to handle such a dispute is to manage it well; so that it actually does not create regional instability.

I was not sure whether you were speaking of the Kashmir issue in the context of India and Pakistan, or India and China. Because most people in the world look at Kashmir and look at India and Pakistan as being the disputants. People forget that one-fifth of the original state of Jammu-Kashmir is occupied by China. In recent months there have been new developments, for example the presence of thousands of PLA troops in the Pakistani part of Kashmir, which is raising India-China tensions; because now India faces Chinese troops on both sides of Indian Kashmir: on the Chinese occupied Kashmir and Pakistani Kashmir.

These PLA troops are involved in building strategic projects, including secret tunnels, (there was a nice op-ed by Selig Harrison in the IHT on this); they are also involved in expanding the Karakoram Highway because China is now interested in building its strategic corridor from Xinjiang all the way to Gwadar on the Arabian Sea. This will have three tracks. One is an oil pipeline to take Chinese oil imports from Africa and the Middle East, trying to avoid the Straits of Malacca, which is policed by the U.S. China wants to avoid that kind of a route so they can ship their energy from the Middle East and from Africa through the Pakistani port that they had built at Gwadar, all the way into Xinjiang. They are also going to have one highway link from Gwadar to West China and also a railroad. So these PLA troops that have come in large numbers are engaged in various kinds of construction.

In recent weeks the Indian government has publicly protested the presence of such a large contingent of PLA troops because this kind of Sino-Pakistan nexus also presents India with a two-front scenario, in the event of a war with either.



But I think the whole dispute on Kashmir is so intractable. Given the fact that the state as it existed in 1947 now is split among three parties and there is unrest both in the Indian side as well as the Pakistani side, especially the northern areas called Gilgit-Baltistan. And also given the fact that these boundaries are not military, so they cannot be undone; so you have to live with these divided borders. Given those realities, I think we have to look at ways – look for conditions under which this dispute can be managed in a reasonably sound way, without creating further tensions and instability in the region.

**Bob Winehagen (House Legislation Council):**

I guess this is a two-part question. One is, do you think the view of some Americans that the Chinese are currency manipulators is accurate? Do you feel that the value of the Chinese currency has an impact on your own economies? I think you all have an interest in this question from your points of view, because I know Japan just intervened in the market.

**Simon Tay:**

The Southeast Asians really do not have much choice – whether it is the U.S. dollar, which is the de facto currency, or the yen, or the Chinese RMB – we're always in need of someone else's currency. So the relative prices of these three, which are all moving targets, affect our economy. Particularly when we realize that we're basically selling and buying intra-Asian, and then American.

So given that we are price-takers rather than price-setters, we take a slightly different view. I think that first, the question of how China moves to a flexible currency, is probably more important to us than how quickly they move or loudly others criticize them, or how loudly they defend themselves. So when we look at the trades that are starting to happen in RMB direct – say Thailand trades – those are things we actually want to encourage and see. What China is doing in getting bonds out and in Hong Kong to slowly test the waters of internationalizing, to some degree, the RMB. I think these are significant measures.

Frankly, going back to my basic point: we hope that the two sides will not end up fighting, so this is one of the flashpoints we are watching closely. For us, we in the end sell into America, the U.S. dollar. But we also sell into China, the intermediate products, or buy from China. So we've got to manage the flow, either way.

And the Singapore dollar has appreciated quite strongly against the U.S. dollar. I think other countries in Southeast Asia should be doing the same thing. But there is, I think, a need to really try to convince them it is for their own interest rather than – for example the Vietnamese have devalued the dong three times in the last year, and this isn't good for the economy.



**Brahma Chellaney:**

I believe that this currency fixing that China engages in is actually more detrimental to the economies of the developing world than to the U.S. economy. Because the dumping of Chinese goods in the developing world is systematically killing local manufacturing.

I was speaking to an Indian tire manufacturer last year and he mentioned to me something very interesting. He ordered a set of tires on an experimental basis from China and he discovered that they were able to deliver tires to him in Mumbai, with the freight included, at one-third less than his manufacturing cost in India. He said to himself, the cost of rubber is the same – both China and India are importing rubber; the cost of labor is approximately the same in the Mumbai factory he runs as well as the factory from where he ordered these tires. How are they managing to deliver tires, freight included, at one-third less than his manufacturing price? Now if you look at that, it is clear. The only way that is possible is if you manipulate the currency. If you undervalue the currency at a ridiculous level, you can certainly manage this kind of advantage.

I think that as China seeks to become a market economy its currency should also be market-driven. It should not be fixed by the state. I think the whole issue, whether the currency is undervalued by how much, etc. all these issues will disappear, once the market is the regulator of the exchange rate of the Chinese currency.

**Seiichiro Takagi:**

I think the issue of the relative value of the Chinese and U.S. currencies, is not healthy for economic relations. I think if China wants to modernize its economy and control inflation, as Professor Chellaney said, it needs to let its currency float on the market. And I think the Japanese recent intervention in the market was basically a short term measure. It's not going to be the fixing of the exchange rate. I think since the change in the last few weeks was so sudden, the Japanese government was under pressure to intervene, but I don't think this is going to last.

**Dennis Halpern (House Foreign Affairs Committee):**

I had a question for Mr. Lukyanov and maybe Professor Takagi can comment on this too.

Last week in the Senate Armed Forces Committee hearing on North Korea, Senator LeMieux of Florida asked Mr. Grayson and Mr. Campbell a question. He said, "Should the sinking of the Cheonan be considered an act of war?" After a very long pause, they said, "yes." That was an unprecedented statement by the Administration. Then the Senator asked them, "Well, we know what the reaction would be if a U.S. ship was sunk, what about our ally?" And of course the response was to put it on President Lee, of South Korea, saying we follow our ally.





But I must say on this whole Cheonan incident and the Six-party talks, there's a growing feeling in the Congress that Russia is joining with China on this and other issues detrimental to the U.S. and its allies in the United Nations and other international fora. In this case, helping to cover up for North Korea because if it is evaluated by the Administration, "this was an act of war," this is unprecedented. So my question is, why is Russia enabling China, which does not want to be isolated internationally, by backing it up in the UN on issues like the Cheonan? And then my question to both Russia and Japan, how does this effect the Six-party talks? And I guess the leadership issue coming forward in Pyongyang, how does this all affect the Six-party talks?

**Fyodor Lukyanov:**

There are basically two reasons, I think. First, Russia is not the strongest player in Asia. It used to be quite influential on the North Korean issue twenty years ago. Since then, much has changed. Now Russia recognizes that China is the principal actor in that area, especially with North Korea. China's perception of how to keep stability in that area is, if not shared by Russia, then at least respected by Russia. That is to say: Russia accepts that there is a Chinese demand; that China has the right to have strong views on that. For Russia, which can not afford to have a bad relationship with China, for obvious reasons, economic, political, military, and so on, it is important not to play against China.

Second, I think that in this regard, Russian and Chinese views are similar. The U.S. Congress or even the U.S. President can consider the sinking of a South Korean ship as an act of war. So what? What next? What do you expect to do? Start a war against North Korea? I doubt that even the U.S., with all of its military might, is able to do it just now. And second, the North Korean regime is really very special. They have nothing to lose. Of course they will be defeated very soon but before that happens, they will do a lot of nasty things to all neighboring countries and to American armed forces. So the Russian and Chinese view is that there is absolutely no other way to try to resolve this issue; the more you press North Korea, the less result you get. And unfortunately, North Korea is really one of the last remnants of the Cold War, which has proved to be much more stable than people expected.

As for a real settlement of that issue, of course the principal actor is China. I think, to be cynical, that China is not at all interested in resolving this issue just now, because that will mean American armed forces will move closer to Chinese borders. So this is a diplomatic issue which probably should be seen in a much more complex context of changing the framework of the relationship with China, with Japan. And trying to press Beijing and Moscow to play according to the American perception of this issue is just unrealistic.



**Seiichiro Takagi:**

To comment on what Mr. Lukyanov said, as you know, Japan along with the United States took a very strong stand on this. I think it was no surprise that the act was considered as an act of war. But that does not mean Japan wants to go to war immediately.

But I think, along with the U.S. and South Korea, the action that should have followed the determination that it was an act of war, was a strong UN response. It was very disappointing that this attempt was basically killed or watered down by China and Russia. I don't think China has a special kind of love for North Korea. But the North Koreans know that China can not afford instability in North Korea. They get away with a lot because of China's fear of instability in North Korea.

**Name inaudible (Voice of America):**

I have a question for Professor Chellaney and also for Ambassador Roy as well. First of all I have two questions to you, Professor Chellaney. Do you think a rising Chinese power will affect India's government's policy towards Tibet? In India there is a huge Tibetan community, as well as the Tibetan government in exile, and the Dalai Lama.

My second question has to do with Chinese involvement in Kashmir. There is a report that people who are living in the Kashmir area, when they need to travel to China, China is issuing a special travel document instead of issuing a visa in their Indian passport. Can you comment on these points?

**Brahma Chellaney:**

On the issue of Tibet. When you look at the larger world much of the world has actually forgotten Tibet. India has been left holding the bag on Tibet. I find it extraordinary that when the Dalai Lama travels to Europe, or even to the United States, government officials are at pains to tell the media that the president or the head of government met with the Dalai Lama not in his official capacity, but in his private capacity; that he did not meet the Dalai Lama in the Oval Office but in the Maple Room, etc., etc.

But where does the Dalai Lama return to? He returns to India. Where is his government exile? It's based in India. Where do the Tibetans live? In India. Where do they escape to? To India. Who keeps the Tibetan culture and language alive through government-sponsored schools in India? The Indian government. The more the outside world, especially the West, begins to give up on the Tibet issue (and the word Tibet basically has disappeared from the U.S. State Department's vocabulary, to be blunt), the more difficult it becomes for the Indian government to maintain its fervent support for the Tibetan cause. Because India is coming under mounting pressure from the Chinese government on the Tibet issue. For the Chinese, the very fact that the Indians are the only constituency extending support to Tibet, openly, is the main, for them, the main issue in the relationship with India.



Has India's policy on Tibet changed? I think because of these pressures, the government of India has yielded ground in its declaratory policy on Tibet. In 2003 the government of India signed a statement with China saying that the Tibet Autonomous Region – Tibet as called by China, which is only half of the original Tibet because the rest of Tibet has been hived off and cartographically merged with the Han provinces, like Yunnan, Sichuan, Gansu, etc.; the central plateau is just called the TAR, the Tibetan Autonomous Region – so that the Indian statement with the Chinese government said “TAR is part of People's Republic of China.” Now that was a huge concession on India's part, due to the fact that India is coming under mounting pressure from China. The fact that Europe and the U.S. are not, any more, standing up for Tibet, occasionally meeting with the Dalai Lama at best; it puts the entire heat on India.

I am very critical of what the government of India did in 2003, and in fact I wrote a series of articles saying that this was a step which will increase the pressure on India by China. This is exactly what has happened. You make one concession, and then they come back to you for more concessions. Now they are pressuring Nepal. In fact they have successfully pressured Nepal this summer, not only to stop safe passage for Tibetans escaping from Tibet, but also to actually arrest them and hand them over to Chinese authorities. In recent weeks Nepal has actually arrested and returned to China some escapees from Tibet – this is a very disturbing trend, because Nepal used to be the safe route for Tibetans fleeing to India. Also, there's a two-way movement of Tibetans. They come to India, they get schooled and they return back to Tibet again after having been schooled in India. So if they risk arrest now, it means this two-way flow of traffic between Tibet and India is going to be disrupted, and that is going to be a very disturbing development.

On your second question on what China is doing in relation to Kashmir. Recently, the Indian army Northern Command chief, who is in charge of Kashmir, was supposed to go to China in the month of August for regular military-to-military dialogue. Weeks before the visit, the Chinese government announced that they will not welcome him. Why? They said because he is in charge of Kashmir, a disputed area. Now this is a new thing that they have started. They are showing Pakistani Kashmir as part of Pakistan, Chinese Kashmir as part of China, and the Indian Kashmir part they are showing as disputed cross lines on the maps. They also are now issuing separate visas for Indian Kashmiris. These visas are not stamped on a passport but they are stamped on a separate piece of paper. So they are trying to challenge Indian sovereignty of Indian Kashmir. This is in addition to what they claim in the Northeast of India, which is the entire state of Arunachal Pradesh, which as I mentioned earlier is three times the size of Taiwan. So we have many disputes between India and China that have come up. The world unfortunately knows more about the South China Sea and about the Senkaku/Diaoyu issue than about the India-China dispute.



**Follow up Question, Name inaudible (Voice of America):**

Since you used to work in China and you know very well China's policy on Tibet, I would pose the same question to you, Ambassador Roy. Do you think China's power will really affect United States' policy towards Tibet? Every single administration has pressured China to talk with the Dalai Lama to solve the issue of Tibet. Do you think there will be any new developments because of China's rising power?

**Stapleton Roy:**

I don't anticipate any change in the U.S. policy on Tibet. We recognize Tibet as part of China but at the same time we believe that the cultural and religious issues need to be handled better and therefore we encourage dialogue between the Dalai Lama's representatives and the Chinese to try to seek improvements in that area. I think the important issue is not so much the rise of China in this context, because China is already powerful enough to be able to assert full control over the region of Tibet.

The issue is the fact that the Dalai Lama is getting older and he is the only person who wields significant international influence on this question. So if he is not able to use his influence to engage with the Chinese in a way that can secure significant improvements in the cultural and religious treatment of Tibetans then there's a danger that the Tibetans will lose their most effective proponent. Therefore I think the efforts by the United States and others to promote a serious dialogue between the Dalai Lama's representatives and the Chinese representatives are a step in the right direction.

Thank you all for coming.