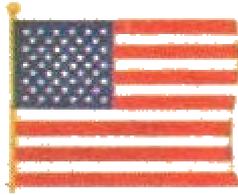


CHINA, THE UNITED STATES AND NEPAL



**Proceedings of the Interactive Program on *Sino-US
Relationship and its Global Implications with Special
Reference to Nepal***

**Organized by China Study Center, Kathmandu
18 December, 2003**

Edited by
Upendra Gautam
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E-mail: cmsug@cms.wlink.com.np

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Table of Contents

Foreword	1
Editor's Note:.....	3
Abbreviations	8
Outline Map showing China, the United States and Nepal	9
Welcome Speech	10
Mohan Lohani	
Statement on the Relevance of the Theme	12
Madan Regmi	
Presentation of Introductory Paper <i>on Sino-US Relationship and its Global Implications with Special Reference to Nepal</i>	14
Mana Ranjan Josse	
Floor Discussion	23
Hira Bahadur Thapa	23
Jaya Raj Acharya	24
Keshab Raj Jha	25
Narayan D. Shrestha	25
Jitendra Dhoj Khand	26
S.Mohammad Habibullah	27
Minendra Rijal	29
Chiran Sumsher Thapa	31
Bimal Pandey	32
Khaganath Adhikari	33
Philip Scott Cargile	36
Karna Bahadur Thapa	36
Dhurba Hari Adhikary	37
Response	38
Mana Ranjan Josse	

Remark with Vote of Thanks.....	39
Uendra Gautam	
Summing Up	41
Mohan Lohani	
Annexes.....	42-71
Annex – 1 Program Details	
1A: Program Schedule	
1B: List of Participants	
Annex – 2 Documents	
2A:Remarks by President Bush and Premier Wen Jiabao at the White House Welcome Ceremony	
2B:Washington Post Interview with Chinese Premier Wen	
2C: Turning Harvard Eyes to China	
2D: U.S.-China Relations	

Foreword

China and America are the major world powers. The nature of their relationship has a bearing on every nation of this bio-hemisphere. Their good ties and better understanding is in the larger interest of the entire mankind. As way back in 1998, President Clinton had ascertained that US rivalry with China would not be only "undesirable but also counterproductive." The world at large welcomes Sino-US relations being close and stable. It is to rule out forever, the dichotomy of containment or engagement in favor of 'strategic partnership' which has been maintained since the Sino-US Summit in 1998. As has transpired, President Bush and Premier Wen Jiabao at their Summit in December 2003 had emphatically reiterated the 'spirit of mutual understanding and respect' as conducive to the world peace and prosperity. Convincingly, the most compelling factors to bring these two world powers together are the mutual needs for the resolution of nuclear proliferation, international terrorism, and sustainable development and so on. These two countries need each other further for the success of globalization and establishment of peace and stability in Asia and the world. The rise of rivalry of the nuclear proliferation in South Asia since 1998 has prompted further need for the Sino-US cooperation.

The 'interaction-program on Sino-US relations and its global implications with special reference to Nepal' organized by China Study Center (CSC) in December 2003, in the wake of Chinese Premier Wen Jiabao's historic visit to the USA, has been the first of its kind. The program has been as seminal and thematic as the exclusive participation by wide-ranging scholars, diplomats and professionals. It is timely that CSC has marched on such a program of interest and importance as to deduce a far-reaching conclusion through impressive deliberations as the interactions have delivered. The activity of this kind has on one hand, explored the anatomy and on the other attempted at foreseeing the progressive development of Sino-US relations. It has also endeavored to highlight potential and strategically important medium sized nation like Nepal which aspires for the better understanding between China and the United States.

Hence this publication entitled 'China, the United States and Nepal ' is a yeoman service in the area concerned. The Center would feel graceful if it succeeds in the dissemination of the information so valuable with regard to the development of Sino -US relations. The Center welcomes candid comments and suggestions from the readers.

Madan Regmi

Editor's Note

Beyond Sino-US Bilateral Affairs

Welcoming Chinese Premier Wen Jiabao at the White House on December 9, 2003, President George Bush of the United States of America described the US and China as "partners in diplomacy working to meet the dangers of 21st century." He further added: "As our two nations work constructively across areas of common interest, we are candid about our disagreements. The growing strength and maturity of our relationship allows us to discuss our differences, whether over economic issues, Taiwan, Tibet, or human rights and religious freedom, in a spirit of mutual understanding and respect."

Replying to President Bush on the occasion, Chinese Premier Wen said, "Our cooperation in a wide range of areas such as counterterrorism, economy, trade and international and regional issues has effectively safeguarded our mutual interests and promoted peace, stability and prosperity in the Asia Pacific region and the world at large."

The key policy statements above from President Bush and Premier Wen, beyond any doubt, eloquently establishes the importance of Sino-US relationship for the Asia-Pacific region and the world at large over and above the bilateral ties existing between the two great countries.

Though the spirit of mutual understanding and cooperation are the driving forces of contemporary Sino-US relationship, estimates of 2002 indicate that China has a long way to go vis-a-vis the United States to realize a fully developed country status (see table below).

Status of China and USA in the global economy

S. N.	Items	China	USA
1	Share on the global economy	4 %	32 %
2	Per capita GDP	5000 US \$	37600 US \$
3	GDP growth rate	7.5 %	2.4 %
4	Total Exports	325.5 billions f.o.b.	687 billions f.o.b.
5	Total Imports	295.3 billion f.o.b.	1.165 trillion f.o.b.

Sources: www.factbook.com, www.peopledaily.com.cn. "China Props Up World Economy," 24 March, 2003, Stephen Roach, "Global Vent," Morgan Stanley, 19 December, 2003.

Estimates of 2002 also inform that the US accounts for 9.2 percent of total imports of China and it stands as the fourth largest import partner of China whereas China accounts for 11.3 percent of the total imports of USA and it stands as the 3rd largest import partner of USA. Despite those impressive figures, China appears to be very clear about the socio-economic challenges that it faces. With 30 million people lacking in food and clothing, 23 million city-dwellers living on a subsistence allowance, 60 million disabled and handicapped people in need of social security, ten percent of China's population, which is about 39 percent of the US population, has yet to be involved in China's drive for creating a well-off society. The most important issue therefore for contemporary China is to "ensure stability and development" for all of its 1.3 billion people. This is why China has realistically set its development goals. It has targeted 2049, the centenary year of the founding of the People's Republic, for reaching a level of a medium-developed country. China's unparalleled realism makes much critical sense when one recognizes distributive justice as the emerging fundamental value in China's modernization, reform, and of late, the concept of coordinated development.

China's indigenous pragmatism and sober self-assessment towards its own future national capability diplomatically puts cooperative partnership rather than competition with the US as the most critical point in its bilateral as well as multilateral agenda with the US. And perhaps it is this distilled sense of partnership, often but not always adequately reciprocated by the US, that encourages countries such as Nepal to have added confidence in its future.

Contextually, it was this unprecedented regional and global importance of the Sino-US relationship and its invariably strong relevance to a country like Nepal, that prompted the China Study Center (CSC) in Kathmandu to organize the interactive program on *Sino-US Relationship and its Global Implications with Special Reference to Nepal* on 18 December, 2003. The program theme indeed covered three worlds-the first (the USA), the second (China), and the third (Nepal).

For the Asia-Pacific's South Asian sub-region, and more specifically Nepal, an ancient country of the great Hindu-Buddhist civilization located in the Himalayas between Republic of India and People's Republic of China, matters relating to security and counterterrorism, propagation and expansion of Buddhist spiritualism, religious tolerance and freedom, and socio-economic development are of vital national as well as international significance. It is thus heartening to note that both China and the US give common priority to these matters, although

there is a marked difference in the way each country looks at the order of the things as determined by its respective moorings. For example, China plans to move faster to realize coordinated development between its less developed western region including China's Tibetan territory, which borders on Nepal, and more advanced eastern region. That explains the value and priority it gives to peace and stability within and outside its borders. The US, on the other hand, recognizes China's discovery of economic freedom and hopes that China's economic freedom will help foster internal social, political and religion freedoms as well.

We at the CSC evaluate highly the ever-maturing Sino-US relations. We view it as a historic phenomenon, which internationally offers enabling opportunities for China's Western neighbor, Nepal. A stable and mature Sino-US relations can profoundly contribute in adding all-round value to Nepal's unmatched spiritual heritage and natural endowment that hold universal recognition. It can help Nepal to rightfully conserve and protect its Buddhist heritage. It was Nepal, birthplace of Gautam Buddha and Bhrikuti, from where Buddhism was taken to China. Buddhism, characterized by *Panchasheel*, provides the comprehensive and common spiritual space wherein the inter-civilization dialogues, even between Christianity and Islam, could be carried out.

Another area of Sino-US cooperation in Nepal is water energy. According to a Wall Street Journal report, December 2003, China is now the second largest petroleum user after the U.S. China's need of energy has implications for stability in the global economy and environment. In this part of Asia, eastern Himalayan water and rich bio-diversity has always remained an area of interest for the US. Sustainable development of this water possesses huge potential of generating environmentally friendly energy. Harnessing of water energy can contribute towards establishment of clean development mechanism under the Kyoto Protocol. If the US and China, under the WTO regime, bring together their capital, technology and construction skills, Nepal and its neighborhood will not only have clean energy, but also receive the needed impetus for industrialization, which will ultimately help raise the living standard of the teeming millions. Sino-US cooperation in harnessing the Himalayan water energy bodes very well with the phenomenon of climate change too. The health of the water will assume critical significance in the days ahead as the role of climate change, especially global warming, is predicted to affect the Himalayan eco-system, the main stay of fresh water in the region thereby seriously altering the availability of water in time and space. The Chinese Academy of Sciences under the State Council has

expressed its willingness to join multilateral studies on impact of climate change on the Himalayan ecology. Nepal could take note of such offer and take initiative to link water energy development with systematic research on the impact of climate change and global warming on the Himalayan ecology.

Rare as was the opportunity provided by the CSC interaction program, it could help bring forth the latent prospects inherent in the Sino-US relationship vis-à-vis Nepal. There was a clear recognition in the interaction program of the fact that Nepal should adequately assert and utilize its geo-strategic and spiritual position by diplomatically redeeming growing political and economic ties between China and the United States.

The organization of this publication follows an order whereby the thoughts of the organizers are placed in the beginning of the program. It is followed by introductory paper presentation by Mana Ranjan Josse, a leading foreign affairs commentator and the Consultant Editor of the People's Review Weekly. The sparkling intelligence and incisive experience of the discussants from the floor duly occupy the middle of the interaction program proceedings. The publication again provides a space to the organizers towards the end of the program where a vote of thanks is also proposed and the program is summed up. This publication fully utilizes the thoughts recorded during the proceedings and provides complete justice to the contributions made by the participant discussants in the program. To adequately enrich the value of this publication to researchers, policy makers and foreign affairs practitioners, the editor has annexed policy statements of President Bush, Premier Wen and US Assistant Secretary Kelly at the end of the publication.

This publication may not have come to this final stage without the help of my two young consulting partners. Sachin Upadhyay, sociologist and a creative writer, assisted in preparing copy out of the tapes. Pravin Ghimire, engineer and a vociferous learner, provided support in reviewing the materials, examining their consistency and compiling the whole proceedings. I am thankful to Upadhyay and Ghimire.

I am deeply obliged to Mana Ranjan Josse, the pioneer of specialized commentary on foreign affairs in the Nepali media, for his generous inputs in assuring the quality of this publication. I am benefited from the valuable advice of Madan Regmi, Chairman, China Study Center during the final copy preparation of the publication. I believe this publication, coming out from this

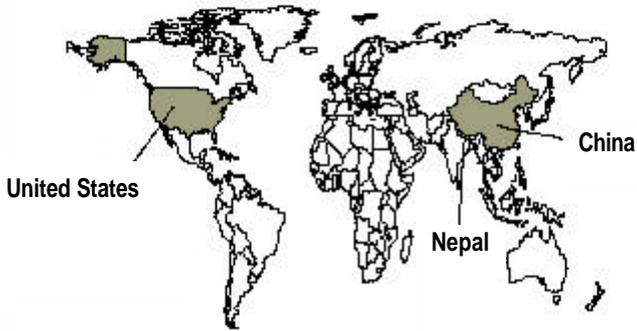
level of hard work and insight, would go a long way in informing countries such as Nepal how to reap rich dividends from a Sino-US relationship which is getting mature, sober, more open and engaged, on the one hand, and, on the other, calling upon China and the US to honor the vital interest of a least developed country like Nepal.

Upendra Gautam

Abbreviations

AFP	Agence France Presse
AP	Associated Press
CIA	Central Intelligence Agency
CSC	China Study Center
CTBT	Comprehensive Test Ban Treaty
EU	European Union
f.o.b.	Free on Board
FDI	Direct Foreign Investment
GDP	Gross Domestic Products
INTERPOL	International Police
MFN	Most Favored Nations
NGO	Non Governmental Organization
PM	Premier/Prime Minister
SAARC	South Asian Association for Regional Cooperation
UML	United Marxist Leninist
UN	United Nations
UNHCR	United Nations High Commission for Refugees
US/USA	United States/United States of America
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

Outline Map Showing China, The United States and Nepal



Source: World Map, ESRI Data

Welcome Speech

Prof. Dr. Mohan Lohani, Program Convener, Former Royal Nepali Ambassador to Bangladesh

I hope all our distinguished guests are seated. We are going to start our interaction Program. May I, for your information, give you an outline of this morning program. The program convener will deliver a welcome speech. A statement by Mr. Madan

Photograph - 1

Prof. Dr. Lohani delivering welcome speech

Regmi, Chairman of the China Study Center (CSC) will follow it. Then Mr. Mana Ranjan Josse, a leading foreign affairs commentator, will present an introductory paper to initiate discussion on the selected theme. The floor will then be open for an interaction. The discussion will last about one hour. Dr. Upendra Gautam, General Secretary of CSC, will give his remarks with a vote of thanks.

It is my pleasure to welcome you all to this interaction program. The CSC has organized this brief session following the recent visit of the Chinese Premier Wen Jiabao to the United States. This visit of the Chinese PM, described as very successful, attracted worldwide attention. This was something we all expected.

China and the United States, as major powers, play a decisive role in international relations. As permanent members of the United Nations Security Council they are the parties to important decisions relating to issues of international peace and security. After the historic visit of US former President Richard Nixon to China three decades ago, Sino-US relations, despite strain and stress from time to time, has steadily grown over the years. The United States continues to recognize the importance of Chinese presence in world affairs. The spectacular growth rate of China during the last two decades has put this most populous country on the economic map of the world. China is a major trading partner of the

United States although the US grumbles about its continued trade deficit with china. Aware of the Chinese clout in international affairs, former president Clinton during his visit to China in 1998 called upon the Chinese leadership to help resolve the Indo-Pak dispute since this region witnessed military confrontation in the Kargil sector of Kashmir, which had almost pushed these two South Asian neighbors to the brink of war. The US also expects China to use its clout with North Korea so that the later might abandon its ambitious nuclear program. These are a few instances of how China is looked upon as an influential member of the international community with the status of a world power. A school of thought believes that we continue to live in a unipolar world even after the end of cold war. The Chinese do not subscribe to this viewpoint. They say international politics in no longer unipolar, it is multipolar.

Be that as it may, talking about our own relations with China and the United States, they are very close, cordial and cooperative. Both China and the United States have pledged to respect our national independence, territorial integrity and sovereignty. Besides, they have also assisted financially, materially and technically in our development endeavors. Both China and the US have expressed concern about the on going insurgency and acts of violence and terror in this country. China has categorically stated that the ongoing insurgency is an internal affair of this country and has also expressed the hope that this country has the requisite resilience, capability and strength to overcome this crisis. The United States has, however, pledged its continued security and economic cooperation to Nepal in its fight against terrorism and the insurgency. Christina Rocca, US Assistant Secretary of State for South Asian Affairs, who is currently on a visit to Nepal, has reiterated this pledge, as you may have already read in the press. China and US have appreciated Nepal's commitment to nonalignment and its active role in the UN and the SAARC. They had, incidentally, supported our zone of peace proposal in the past. Nepal has consistently taken the position that it will not allow its territory to be used for hostile activities against its immediate neighbors. As we are situated between two Asian giants, we believe in best of relations with all countries of the world and in particular with our immediate neighbors. We welcome the growing friendship between China and US and expect that these relations will grow in the years to come not only for their bilateral interest but also for the world peace and security.

Immediately after me you will hear a statement from Mr. Madan Regmi, Chairman of China Study Center. His statement will further enlighten us about Sino-US relations. A very important statement will follow this from Mr. Mana Ranjan Josse, who has kindly agreed to present an introductory paper on today's theme to help initiate a discussion for the interaction program.

With these words I welcome you once again to the program and hope that the program will be lively.

Statement on the Relevance of the Theme

Mr. Madan Regmi, Chairman, China Study Center

Today this distinguished gathering is here to interact on *Sino-US relationship and its global implications with special reference to Nepal*. This is a very important subject matter. It has an enormous importance with global ramification. The Sino-US



PHOTOGRAPH - 2

Mr. Regmi delivering statement

relations have been moving ahead with ups and downs. Dr. Henry Kissinger defines this relationship as being of a roller-coaster nature. For a peaceful and prosperous world order, the relations between China and the United States of America, the World War II allies, should be consistent, converging and tension free. This can be accomplished coherently if the United States sticks to three joint agreements it entered into with China in 1972, during the visit of US President Richard Nixon to China. In recent times, the Sino-US relations had appeared to be somewhere in trouble; now it looks to be back on track. This evinces the resilience and the growing strength of their bilateral ties based on economic interdependence and understanding about the enduring values of this relationship. If it is breached both are bound to suffer. It is gratifying to note that both sides are aware of the sensitivity inherent in

the mutual relations. We commend the increasing degree of maturity in the Sino-US relations.

The recent official visit of the Chinese Premier Wen Jiabao to the United States of America was a great success. The warm welcome accorded to him by President Bush confirms once again that China and America are to cruise together to address many of the international as well as bilateral issues. This is good for both the nations and also to the world at large. Indeed, the visit has been described as "not only important, but also very successful." Chinese Premier Wen Jiabao's declaration that he and President Bush believed in the China-US relationship as being "the most important state-to-state relationship and the development of the US-China relationship is conducive not only to peace and stability in the Asia-Pacific region, but also to peace and prosperity in the whole world" clearly illustrates the strong bond of friendship and understanding between China and America.

China is our northern neighbor, a good friend, a great power and a donor whose economic aid has been contributing towards the well being of Nepal and its people. We highly value our friendship with China and are fully aware of the bright prospect of the Sino-Nepal relation. The United States of America is geographically far away from us, but being the richest and most powerful country of the world, it can effectively contribute for a just and peaceful world order as well as for the economic development of the needy country like Nepal. America has never been a threat to Nepal and its support to strengthen our sovereignty and territorial integrity is of great value for us. Its economic participation in major hydropower projects like Karnali and others is the most desired one for the prosperity of not only Nepal but of the whole region. But the United States must keep in mind that it should not pressurize Nepal to abandon her own national interest. We want prosperity and security of both China and America but we also need security guarantee from them so that our right to exist cannot be denied by any power. In view of the growing friendship between China and the United States, we may have the opportunity not only to share peace and prosperity dividends accruing from their mature relationship, but may also have guarantee for our national security. This is precisely what we had in our mind when we selected the theme for this morning's interaction. I look forward to having a candid, open and fruitful interaction.

Presentation of Introductory Paper on Sino-US Relationship and its Global Implications with Special Reference to Nepal

Mr. Mana Ranjan Josse, Foreign Affairs Commentator

I deem it a rare honour to be requested by the China Study Centre to present a brief introductory paper to stimulate discussion on the rather novel theme of *Sino-US relations and its global implications with special reference to Nepal* before this highbrow audience.

PHOTOGRAPH - 3

Mr. Josse presenting introductory paper on the theme

INTRODUCTION

The endlessly fascinating subject of Sino-US relations is, as all know, as expansive in scope as it is complex in nature. Notably, the development of that multi-layered relationship has neither been linear or smooth. Indeed, if anything, it has witnessed periods of intense hostility and suspicions. At other times, however, it has been infused with more pleasant sentiments – including romanticism – fostered by generations of American missionaries keen to spread the Gospel in pre-Communist China.

What may also be recalled is that, during World War II, the US “put 70,000 military men into China to train Chiang (Kai-shek)’s troops to use American weapons flown across the Himalayas, and to fly bombing missions against Japan and its forces in China. For a brief period, relations with Mao (Zedong)’s Communist guerrilla forces were good.”
(1*)

WEEK THAT CHANGED THE WORLD

For our limited purposes here, however, I will focus on the contemporary period beginning with “the week that changed the world” – to use President Richard M. Nixon’s much quoted phrase – in February 1972, marking the momentous reopening of diplomatic contact between the US and China.

Despite understandable hyperbole, there is no doubt that it did send surging shock waves through Tokyo, Taipei, Saigon, Moscow, New Delhi and, even, Kathmandu (of which more later), indelibly altering hitherto existing international relations equations.

And, why shouldn’t it? After all, China in those days, as Henry A Kissinger recalls (2*), “stood out for its ideological fervor based on Mao’s little red book”, when he and Richard Nixon “of the strident anti-Communist rhetoric and Mao Zedong of the pithy and contemptuous anti-capitalist slogans came together to launch their geopolitical revolution.”

That “geopolitical revolution” had been sparked by indications of moderation in China following Red Guard radicalism in the Cultural Revolution of 1966-1967 and, post-1969, by China’s perception of imminent threat to her from the Soviet Union, a million of whose troops were massing on her borders.

The American strategic objective was “to transform the two-power world of the Cold War into a triangle and then to manage the triangle in such a way that we would be closer to each of the contenders than they were to each other, thereby maximizing our options.” (3*)

In concrete terms, the up-shot of the ground-breaking Nixon visit was the Shanghai Communiqué of February 28, 1972 in which the hard differences in Chinese-American policy, particularly those over Taiwan, were acknowledged, defined and catalogued. It initiated a Long March in normalization process of Sino-American relations. Since 1979, Washington has observed a “one-China” policy when it switched diplomatic recognition from Taipei to Beijing.

CHANGES AND THEIR IMPACT

Today, as one surveys the post-1972 era in US-China ties, it is impossible to ignore that vast, and in some cases, abrupt transformations that it brought about not only in terms of the world's relations with Beijing and vice-versa but, indeed, of shifts that have occurred largely, if not solely, because of the multi-tiered implications of normalization of America-China relations.

I will only mention one instance here: the cementing of strategic linkages between India and the Soviet Union through the 20-year old treaty of 1971 between them. It was to lead, ultimately, to the breakup of Pakistan and the emergence of Bangladesh, with Indian military intervention.

As most are aware, the calculated dismemberment of Pakistan, via Indian intervention supported by a Soviet veto at the UN Security Council, created a palpable sense of vulnerability in Nepal. That was to be immeasurably heightened with Sikkim's merger with India in 1975, following the anti-Chogyal agitation by Sikkimese political parties, and led, in my view, to King Birendra's proposing that Nepal be declared as a Zone of Peace.

However, to return to the impact on India of the 1972 shifts on the Sino-American stage, now follows two divergent perspectives – one Indian, the other American.

According to former Indian foreign secretary, J.N. Dixit, who suggests that India's moving closer to the Soviet Union was a direct result of the goings-on between Washington and Beijing, as even before the Nixon visit, "the US had initiated steps to normalize relations with the People's Republic of China, and the Government of Pakistan was playing the role of intermediary in establishing backdoor contacts between Washington and Beijing."(4*)

A noted American journalist, Seymour Topping, has an altogether different point of view. Says he: "The Peking leadership had been impelled by paramount considerations of national security to enter into negotiations with the United States. Mao's crucial stake in the success of

the negotiations was clearly indicated when the Chairman received the President immediately after his arrival on February 21, 1972.

“Since the mid-sixties the Chinese Communists had been plagued by a nightmare of encirclement by the Soviet Union, India, Japan and the United States. In the months before the Nixon visit, anxieties in Peking sharpened, and there was more preoccupation with the dangers, real or imagined, of the encirclement and dismemberment of China than with the quarrel over Taiwan.

“In August 1971 Peking saw the Soviet Union and India conclude a twenty-year treaty of ‘peace, friendship and cooperation’ which the Chinese interpreted as a military alliance aimed at China. The division of Pakistan after the Indian invasion of the East in November 1971 in support of the Bangladesh movement reduced to impotence the state which Peking had counted upon as a counterpoise to India on the subcontinent.” (5*)

As I clearly recall, there was a sense of quiet jubilation in the corridors of powers here in Kathmandu caused by Kissinger’s secret dash to Beijing in July 1971 followed by the Nixon visit of February 1972. Having close and friendly ties with both Beijing and Washington, Kathmandu’s sentiments were only natural. Although not many here had the time, or inclination, to mull over its significance, I remember noting this happy turn of events: that the strategic shift in Indo-Soviet relations coincided, more or less, with a similar movement on the Sino-American front.

For a country placed uncomfortably between India and China, this was most fortunate geopolitical happenstance. One shudders to contemplate Nepal’s fate if the virtual Indo-Soviet “alliance” had not met head on with the breakthrough on the Sino-American relations front at around the same time!

Moving on, let us briefly examine how China and the United States, hostile enemies for more than a quarter of a century, had, by 1998, come to share much common ground even on sensitive issues relating to nuclear non-proliferation and WMDs. This was brought to light when, following India’s and Pakistan’s nuclear tests in May 1998, China and the United States issued a joint statement on South Asia critical of those

tests after President Bill Clinton's summit meeting with his Chinese counterpart in Beijing in June 1998.

In that document, Clinton and Chinese President Jiang Zemin "urged India and Pakistan, acknowledged nuclear powers after surprise tests in May, not to deploy nuclear weapons and to sign 'immediately and unconditionally' a global treaty prohibiting nuclear testing. (6*)

POST-9/11

The remarkable distance that the two countries have traversed since 1972 was manifested dramatically during Chinese Premier Wen Jiabao's recent three-day official visit to Washington.

Visibly annoyed by Taiwan President Chen Shuibian's repeated threats to call a controversial referendum directed against China, US President George W Bush, with Wen at his side, publicly criticized Taipei over the proposal, even while recommitting the United States to the "one-China" policy, and to the three joint communiqués that are the bed-rock of Sino-American relations.

Going a bit deeper into the past, one notes the emergence of a large area of strategic convergence between China and the United States, in the wake of the 9/11 terrorist attacks on America in 2001 by the Al Qaeda terror network. That was an earth-shaking event, even more shattering to Americans than Pearl Harbour had been, whether in terms of innocent victims killed or its overarching strategic global implications.

Beijing was quick to come aboard Bush's "war against international terror" not least since it, too, has been a victim of separatists who adopt terrorist means to push for an independent Islamic state of "East Turkistan" in Xinjiang province populated by Turkic-speaking Uighur Muslims. Only the other day, for example, "China issued its first ever list of Muslim separatism groups and individuals accused of carrying out terrorist acts, and called for international help to wipe them out and their leaders." (7*)

As the world knows, 9/11 led to an America-led military offensive in Afghanistan against the Taliban regime harbouring Osama bin Laden and

his Al-Qaeda terrorists, including some Uighurs. That had, among other things, the unintended consequence of making Pakistan dump the Taliban and opt, instead, to join in Bush's "war on international terror."

It, incidentally, complicated the then sweetening ties between Washington and New Delhi, a relationship which not a few policy makers in South Block had been keen to convert into a full blown strategic alliance.

Of course, a more delayed consequence of 9/11 was official sanction to the doctrine of "pre-emptive" or even "preventive" war frowned upon by other powers, including China. In time, it led to America's decision to go it alone, if need be, with her invasion of Saddam Hussein's Iraq which was roundly criticized by major world players, including China.

For the record, it may be noted, though, that China's opposition did not take on the stridency of that associated with Russia, Germany or France. Beijing has not, of course, been a pushover for Washington. As much was made evident by her strong opposition to Bush's plans for missile defense and her insistence on not allowing an American surveillance aircraft to leave China in one piece, after it was made to force land following a near-collision with a Chinese aircraft off the coast of China, a few years ago.

GROWING CONVERGENCE

Sino-American cooperation has been spectacularly underlined with regard to North Korean-US differences over the former's nuclear programme. Indeed, as Kissinger has recently argued China's role is "crucial" in that regard (8*). As North Korea's ally and principal trading partner, sharing a long frontier and much common history, Beijing "knows that a North Korean nuclear military capability would bring near its nightmare of a Japanese nuclear military programme." (9*)

In his view, "China's conduct has left little doubt that it seeks a resolution, and urgently" (10*) having declared North Korea's nuclear military programme unacceptable and has been "the driving force in assembling the new forum" (11*) comprising North and South Korea, the United States, China, Japan and Russia.

Kissinger also acknowledges that China's role is "crucial to ensure a common stand with America's ally in South Korea, without whose support it will be very difficult to assemble the pressures needed to break the deadlock."(12*)

Differences between the US and China do, of course, exist including those in the sphere of human rights and democracy which are supposedly at the core of the Bush administration's foreign policy. But, as Sandy Berger, national security adviser in the Clinton White House, has explained, "foreign policy is always a process of trading off, of striking the right balance among fundamental principles." (13*)

Hence, while it is often a complicating factor, it has not been allowed to derail the relationship that by now has, apart from strategic or realpolitik considerations, a very significant economic and trade component, beneficial to both the countries. Thus, while US officials have warned Beijing about its soaring trade deficit with China, concerned officials in China argue that the two economies are complementary and that the deficit is not as big as people in America claim.

That aside, many hold that the furore in Washington over the rapid expansion of Chinese exports and allegations that China's yuan is undervalued masks a growing convergence between the US and China in diplomatic affairs.

According to Ezra Vogel, an East Asia expert, the convergence is best observed on the campus of Harvard University. "There, hundreds of Chinese, including mid-career government officials and officers from the People's Liberation Army, are studying medicine, public health, urban planning, comparative democracy, journalism, business, public administration and other subjects once considered controversial in the communist nation."(14*)

Brief mention has already been made of China's apprehensions about encirclement. I would like to add that although there is a "China threat" lobby in the US – as also in India – there is simply no getting away with the fact that the two major powers separated by the wide expanse of the Pacific Ocean do not have any territorial disputes. As such, it is difficult

to see why the US should join in any anti-Chinese crusade, certainly not for the sake of others.

Aside from the fact that Chinese armed forces are not stationed anywhere outside China, it may be noted that long before 9/11 China had morphed from an ideological state to a strictly geopolitical power. While ever alert about its security, China has been playing an ever moderate and mature role in international affairs, within and outside the United Nations, as also in the Asia Pacific region. As such, I do not foresee fundamental clash between the two anytime in the foreseeable future.

A NEPALESE PERSPECTIVE

Had that not been the case there would have been grave foreign/security policy implications for Nepal. In the heyday of China's revolutionary past, however, the impact of hostile Sino-US relations was felt here in Nepal, too. On the one hand, it witnessed American interest as "a listening post" on China, and particularly Tibet, second only to China-watchers' Hong Kong.

The clandestine help to Tibetan Khampa rebels then in Nepal's northern belt by the CIA has been documented and was widely publicized by noted American columnist Jack Anderson. With Sino-US normalization that form of US interest in Nepal, happily, has ended. One predictable side effect, though, was that American interest slackened off, a process that was further accelerated with the end of the Cold War.

In fact, it was only after 9/11 that American interest in Nepal was re-kindled, a development which witnessed the first ever visit of the American secretary of state. That, of course, has to do with Nepal's Maoist insurgency that the US now considers a threat to its national interest. Even today, for example, such an interest persists as is borne out by the presence in Kathmandu of Christina Rocca, US Assistant Secretary of State for South Asian Affairs.

For Nepal, it has become increasingly difficult to balance her responsibilities toward China, her helpful and friendly neighbor to the North, with demands occasionally made by the US for handing over

illegal Tibetan immigrants to Nepal to the UNHCR, rather than to the Chinese authorities.

One would like to see a far greater understanding from the US of Nepal's difficulties as well as of Chinese sensitivities, given that many of such "refugees" promptly proceed to join the ranks of others around the Dalai Lama in India, many of whom then work for the independence of Tibet, naturally anathema to China.

This is one area that could possibly foul things on the Sino-American front, posing great difficulty for Nepal as well.

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Floor Discussion

Mr. Hira Bahadur Thapa, Joint Secretary, Ministry of Foreign Affairs

Thank you for giving me the floor. I should also very much thank our distinguished journalist, Mr. Mana Ranjan Josse, who presented a paper on *Sino-US relationship and its global implications with special reference to Nepal*. I think he has really done good homework in

PHOTOGRAPH - 4

Mr. Thapa sharing views

the sense that he has provided us a historical prospective to the evolution of American –Chinese relationship. At the end of his paper I found very interesting remarks with reference to his assessment, which would be of much importance to Nepal in the context of the rapprochement between China and US. I really appreciate him when he says that China–US relations are moving closer and that bilateral relations between them are getting stabilized. The most recent example he gave is the latest visit of the Chinese Premier Wen Jiabao to the United States. During this visit, the US President categorically mentioned that no unilateral action from either Beijing or Taipei would be tolerated. This is certainly very important in the sense that it has given further reaffirmation of China's one China policy, which the US seems to have acknowledged as early as 1943. I think it was President Roosevelt, who also wanted to confirm that there is one China. It ultimately came up in the form of the joint Sino-US communiqué in 1972 and was very much elaborated by 1982 during Regan administration.

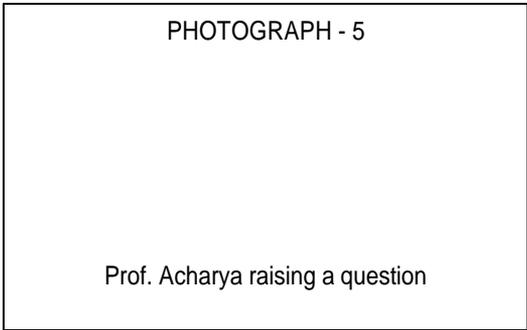
Having said this, my only concern is to know if Mr. Josse thinks that the trade dispute or the issue of trade deficit, which has been caused by rising imports of Chinese goods to the US is going to affect rather adversely on the relation between the two countries? I do have understanding that it is only the smaller and medium sized companies in the US, which are objecting or trying to create pressure on the US

administration to go for trade protection measures against China. These companies argue that the trade deficit caused by the Chinese import is not to their advantage. I would really like to hear opinion of Mr.Josse about the prospect of relations between the two important countries in the context of the rising trade deficit. I happened to read one article by some writer in which he mentioned that the amount of trade deficit in 2002 alone, if I am correctly quoting, was more than 1 hundred billion US dollars.

I would just add a point by saying that the issue of economic engagement, which is coming up very prominently, is something that we should appreciate very much. And this issue is really going to play a very important role in terms of further improving the relations between the two major powers, China and the United States of America. An on-going mutual search for economic opportunities between China and US will play a definite role in shaping their relationship in the near future.

Professor Jaya Raj Acharya, Former Permanent Representative to the UN

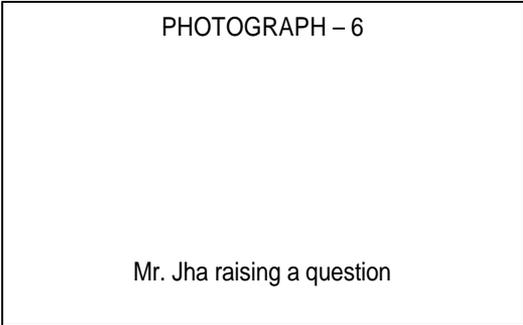
I extend my apologies for coming late. I just wanted to ask a question. The paper is fine and well documented. Given the gradual normalization of the relations between India and China and economic activities and trade dominating everything else, and also in terms of improving relations between



India and USA, do you foresee or should we all foresee that there might be some sort of competition for market in South Asia between China and USA? And if so, what implications will it have for Nepal? And what should be our response or course of action?

Mr. Keshav Raj Jha, President, Nepal Council of World Affairs

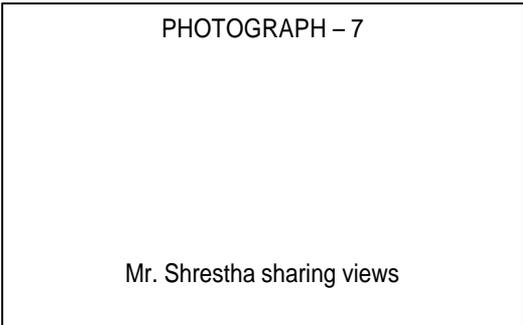
I have a small query. The growing relation between China and United States is a healthy development not only for our region but also for the world at large. Everybody agrees with this observation. The relations between the United States and India



are equally growing fast. But the common factor in this triangular (the US, India and China) game is the problem of insurgency. Do you foresee the possibilities of joint action of the United States, India and China to flush out the insurgency from our country, which is causing a great loss to our nation and its stability? How do you see or analyze this question? Could you kindly throw some light on it?

Mr. Narayan D. Shrestha, Officiating Executive Director, the Institute of Foreign Affairs

I find this paper very interesting. It is done in a very balanced way. This is really an admirable job done by Mr. Josse. I would just like to focus on one particular point. Mr. Josse has mentioned in the paper about the US preemptive or even

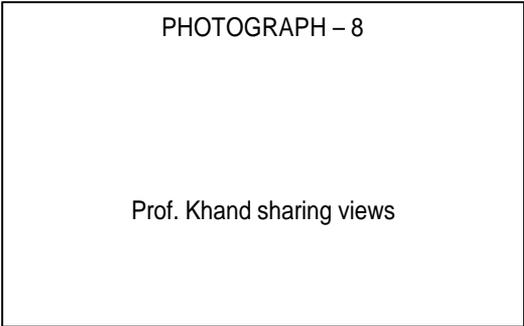


preventive war frowned upon by other powers. This particular point relates to growing friendship or unity between the two powers, China and the United States. After the Cold War and in particular the collapse of the Soviet Empire, the US has the only superpower status in the world. There is a feeling that the United Nations Principles of Sovereign Equality and the Norms of International Relations have been breached at

times and there is a lack of power balance. As a consequence of the growing friendship between China and United States, do you think that these UN principles would be further trampled? Or will they be safeguarded by some other means? There might be some fear for the small countries like us if the UN charter and principles were not abided by in the conduct of affairs of international relations. Have you been able to give some thoughts to this?

Professor Jitendra Dhoj Khand, Central Department of Political Science, Tribhuvan University

I heartily congratulate Mr. Mana Ranjan Josse for his very good paper. I have no questions, but I have my opinions in regard to *Sino-US relationship and its global implications with special reference to Nepal*. At present, it is a matter of happiness that there is a similarity in the



making of foreign policy between the United States and China. Nowadays, Chinese are adopting the foreign policy making systems on the basis of pluralization, institutionalization and proportionalization. So, the US and China are similar in terms of foreign policy making system, which can strengthen the relations between them. Secondly, both the countries hold similar view in terms of arms control particularly non-proliferation treaties and CTBT (Comprehensive Test Ban Treaty). Thirdly, incidence of 9/11 has further strengthened relation between the two countries particularly to eliminate the terrorists of the world. Besides, both countries are joining their hands to eliminate poverty, illiteracy, diseases, unemployment and menace of drugs. These are commonalties shared by the two countries.

For good relations both the countries should isolate some of the substantive conceptual and perceptual differences for examining. And based on this examination, they should identify them in their foreign and

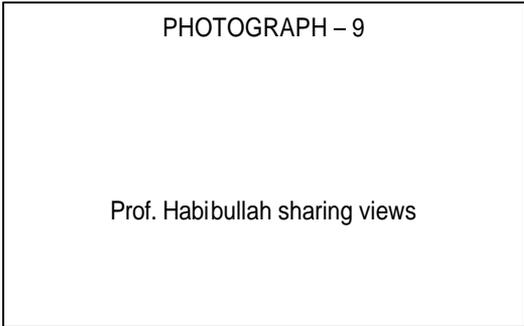
national security policy, planning and development that will benefit formally regularized dialogues in the future.

So far as Sino-US relations and its impact on Nepal is concerned, after recent capture of Saddam Hussain in Iraq, Government of India requested the political leaders of Nepal on 15th December not to meet Maoist Leaders or Terrorist in India. This is an impact. Before this event, Madhav Nepal, the leader of the UML and his colleagues had met the terrorist leaders, Dr. Babu Ram Bhattarai, Prachanda and others. Before this event, India did not say anything formally against such meeting. But after Saddam's capture, situation changed for Nepal. This is a great impact. Similarly, the government of China also declared to eliminate the terrorist in our country on 15th December and requested other countries of world to eliminate terrorist activities. Yesterday INTERPOL also requested the government of India to arrest the terrorists. Besides in the next twenty-four or forty-eight hours Bhutan also started to eliminate the terrorists with Indian help.

In this context Christina Rocca, US Assistant Secretary of State for South Asian Affairs, visited Nepal and our Chief of the Army Staff Pyar Jung Thapa requested her to get more helicopters and other security equipment to eliminate the terrorists in Nepal. So the US-led counter-terrorism initiative has made a great impact in South Asia particularly in Nepal where more than five nuclear powers are taking interest.

Professor S.Mohammad Habibullah, Central Department of Political Science, Tribhuvan University

Thank you very much Mr. Josse for preparing a very good paper, which enlightened us with the major world events. Actually, this is a fact that to day world is in favor of the United States but in my observation in the last century, we do not find



consistency in the US foreign policy. There was time when the Americans were telling their children "sleep otherwise the communist will come." Now here is a time when the Americans are saying to the world that there is a terrorist and we must bring them to justice. Well, I know that all the big nations of the world including India have their own perspective and policy, which are shaped by their internal and external interests.

Nepal, as a small nation, was very peaceful due to the certain world strategy or policy. Nepal was calm during colonial and cold war periods. After these periods, Nepal is facing insurgency and disturbance. It is facing a very difficult time. In this context, now could you please tell us if the big nations do have only their own interest to be fulfilled? They seem to be trying their best their interest in the name of economic development, globalization, WTO, human rights and democracy. These are mere slogans, which are not fulfilled in real sense. What we have however seen is China has achieved certain goals because of her own efforts. India is too trying to achieve her own goals.

Nepal is in-between China and India. I do not find that China has ever come closer to Nepal after the Second World War as India has. But Nepal's political parties and journalists are divided whether to appreciate and support Indian philosophy or to go to the camp of China. Nepal is really having a difficult time to select. The basic problem is how to maintain and achieve our own national goals to satisfy the people at large, which have been deprived of many facilities like human rights and democracy. So what do you suggest or what should be the national policy either to solve our own problems first rather than to follow the external strategy or the neighboring policies?

Dr. Minendra Rijal, Chairman, Apex College

I just wanted to add few things on economic front. You all know China holds tremendous potential for the future. You rightly mentioned in the paper that so many Chinese are being trained in the US and then going back to China. And working for

PHOTOGRAPH – 10

Dr. Rijal sharing views

the country is certainly going to hold good potentials for China. But at the same time we tend to lose the site of proportion China and US are competing. But size does not match for Chinese economy to be as large as US economy. I am not talking about the per capita in terms of total GDP. I mean if China grows every year with 10 percent, then it will take at least 20 years. Let us keep that in mind. We can not lose our sight on that. That is very important. Secondly, we cannot lose the sight on the fact that China still needs to manage its political change process in future that may be very smooth one or may not be? Let us keep that insight. If we keep these two things in minds probably we can think of trade between the US and China. Trade deficit is an issue but it is not an important issue as has been said in many contexts. I guess a circumstance of evidence on that is there was a time when China's MFN status had to be renewed on an annual basis. One of the things that was used to be reviewed before renewal was human right situation in China and then came a time when human right was completely de-linked with the trade issues and MFN status had absolutely no relationship with the human right situation in China. That certainly shows importance of trade between China and the United States and at the same time keeps in perspective the proportion of the size of the trade between these two countries. It is still China we are talking about and not Japan. We have to keep that in our mind too. If we do this then probably, it brings us to China, India and US relationships. Certainly China and India, each one of these countries would like to compete for American market. But we have to keep in perspective that India is not more than probably 6-7-8 years behind China in terms of economic development. India can certainly catch-up with China very easily in those 6-7-8 years or

probably 10 years. Firstly, these two countries would compete for US market and secondly, they at the same time have regional interest also to keep the global power off the region. How much will they coordinate to keep the global power off the region and how much will they compete to get US market would certainly have tremendous implication on Nepal, China and India relationship. I guess, we have to keep these in mind. At the same time India has other things like historical or probably geographical imperatives. This means India geographically and historically ties closer with European Union than with America. That is going to stay there and if you look from China, US looks closer. If you look to the US from India either you have to go through European Union or through China geographywise. That is certainly going to matter. So, whenever we talk about implications of Sino-US relationship to Nepal or to this region, I guess we have to keep these things in mind.

By the Second World War 50 percent of world produced GDP by US. Today US produce about 25 percent of the world GDP. Twenty years from now, that share is going to decrease. I am sure that it is going to decrease and this is a natural phenomenon. This is not new thing. About Taiwan, let us not exaggerate Taiwan factor. No one is going to fight war on Taiwan. It is going to be somewhere between where Taiwan today is to where Hong Kong today is. Let us keep in mind that Taiwan, if I am not wrong, is still the largest FDI investor in China.

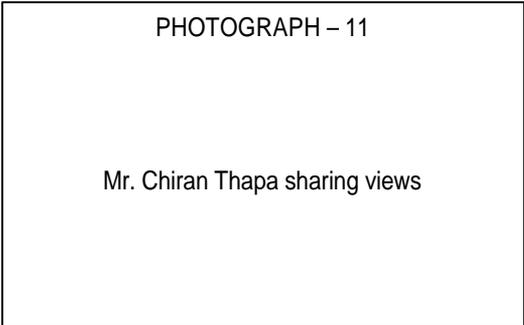
China has brought the largest number of people out of the poverty in past ten years. That is a tremendous achievement. Let us not forget that. We have to keep that in perspective despite all other problems occurring there. WTO is going to have tremendous implications throughout the world. One of the wonderful things about WTO is that it is a dispute settlement body. But let us not exaggerate it either. Both Europe and America have been fighting with a number of disputes. None of them have been settled. Even after settlement they go through process of negotiating compensation for a number of years. So WTO is going to have a lot of implications but at the same time let us not exaggerate that either.

Finally, somebody talked about India and China. We made tremendous mistake in the past thinking that we have to choose between India and China. If we keep on thinking so, we can repeat the same mistake as in

the past. I do not think we have to choose between India and China. We can have very good relationship with both of those friends.

Mr. Chiran Sumsher Thapa, Retired Royal Palace Official

Thank you for giving me the floor. Although many of the speakers before me have said many things that I would have liked to say. I also want to thank Mr. Josse for presenting a very cogent paper.



I would like to say a few words as you have said on the aspects with special reference to Nepal. The basic facts have been already mentioned. United States has a power like no other in human history since Roman times. It has always been a balance in the past. Now we have a Ten Trillion-Dollar power with military expenditure equivalent to rest of the world combined. This is only the power which can put troops in Iraq and Afghanistan at the same time and also spend enough money to rebuild the economies. It is the only power in world, which can point to three axis of evils, and really prepare to face them if necessary. We have this situation with the United States. With China, I always start my lecture by saying: look I will ask you five questions, and answers to all five questions is China. The questions are: which is the largest producer of coal? - China, of cement? – China, of apples? it is quite interesting, - China again, of Pork-China? and of steel? – China again. So I call this CCAPS theory of economic growth of China; coal, cement, apples, pork, and steel.

Anyway, given that these are both important countries and of course the United States has a lot of things going for it, most of the people think that the economy will keep on growing better and better. Because they have two advantages which other rich countries don't have. The population is growing unlike Europe and this is a factor increasing US economic potential and of course much of their economic growth is productivity

led. So the economy is getting more and more productive which is not always the case in other countries. So, these two factors of course is going to bring about an even stronger US economy. The US will also become increasingly stronger in terms of military power.

We have China, which is of course, rising but it does not come anyway near, as Dr. Rijal has said, where the United States is and it will take even more than twenty years if present trends continue.

Given these two factors, the world's mightiest and strongest economic power, which is going to be even mightier and stronger economically and another power which is getting stronger economically and also is quite strong militarily. With reference to Nepal, it seems to me that we have to ask given the fact that we have good relationship with both, whether with either or both our relationships are adequate? If you take the totality of relationship between two countries in terms of aid, air links, tourism, trade, military interchanges etc, it seems to me that both with the United States, which is on the other side of the world and with China which is right next to us, the relationship is not at the level of adequacy which is in our interest. I think, we should focus on trying to see how we can bring the relationship with the both countries to be more adequate in our interest and hopefully in their interest as well.

Mr. Bimal Pandey, President, Alliance for Democracy and Human Rights

I shall be concentrating more on the implication side with reference to Nepal. Let us take examples of the New York Times and the Washington Post. This is in response to the points made with regard to competitiveness. How are we going to stand on our own feet? That is what globalization is all about. So we have to think not like Kathmandu

PHOTOGRAPH – 12

Mr. Pandey sharing views

Post and Kantipur, which are so localized. Similarly, that is how we have to move further by taking good examples. At the same time, we have to look into the success stories so that we can apply them here.

Now regarding the competitiveness of society, how are we going to stand on our own feet? Regarding globalization and WTO, I think we have slightly moved further. I think once we have accession to WTO, the safeguard measures fall under the rule of the game. The WTO has rules now. Once we have the WTO membership, I think we have to switch on our rethinking of trade and industry towards the new trend. .

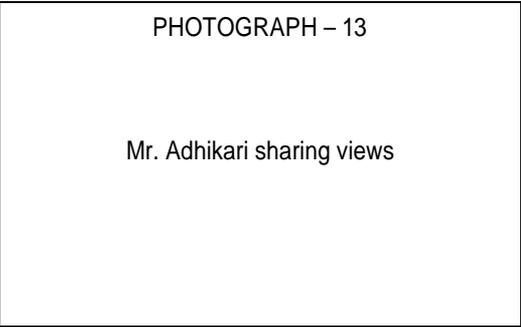
The other thing I would like to raise here is how we are going to really have best of relations with the US as well as with China. I have to be further encouraged.

Mr. Khaganath Adhikari, Under Secretary, Ministry of Foreign Affairs

What I say here will not be the views of the organization I am associated with. They will be my personal views.

I congratulate Mr. Josse for his very thought provoking and stimulating paper. It was very useful.

I am going to add a little bit, especially about the US China relations and its implications to global issues. What I feel is that whatever the perceived rapprochement between China and the United States in recent years, they are not coming that close as we see from outside. My first assumption is that they still stand to represent two different ideological blocs. United States represents the liberal democracy group and China, the socialist group. Still these two blocs are, to some extent, keeping trying to keep them apart. In the latest issue of The Economist, I saw a very symbolic cartoon. When the Chinese Premier visited the United States then President Bush lays a red



carpet for him and Taiwan and trade issues are under the red carpet. Does the United States really want to keep aside these two issues, which from their point of view are very important? It seems yes. But, as I said, given the differences of two underlined factors that will help to keep these two countries apart, there are some factors that have contributed to bring these two countries closer to each other. I would like to call them convergence of interest. Both of them have their own interest to come closer to each other.

From the Chinese prospective what I feel is, China needs peace, security and stability for its domestic development. So it does not want any confrontation with powerful countries like the United States which will not be in its interest. The second point would be China wants to benefit from the economic prosperity of the United States and its technological development. The third point would be China doesn't want or perhaps doesn't think it very feasible or conducive to its interest to have confrontation with mighty power like the United States. Also the fourth point I would say, China wants to be increasingly involved in international affairs to become a still greater global player. The rapprochement with the United States certainly helps in this matter as well.

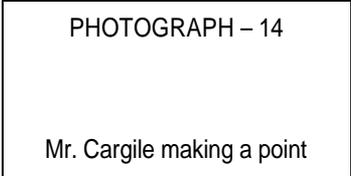
There are other issues like trade investment, education and culture. It has already been mentioned before that thousands of Chinese students are studying in the United States and even American music, movies are becoming very popular in China. There are also other factors which have contributed to bring them closer.

From the US point of view, I have been reading in publications that Western scholars have been praising China for its responsible behavior and convincing and more confident role in recent years. From the American point of view their investment is very important. I was just looking in the Internet yesterday and I found that in 2002 alone there were 3363 American projects in China. By the end of 2000 there were altogether 37212 American projects in China. As already mentioned by Joint Secretary Mr Thapa, there is a huge trade deficit between China and the United States. Internet also informed that in the year 2002, China US trade was 98.2 billion. I do not want to discuss these figures.

Why has the US wanted to have rapprochement or a good relationship with China? I mentioned that China has become a more responsible and confident global power. The economic, trade and investment issues are very important as well. More important point has become the role that China can play in maintaining and resolving global issues such as terrorism. We have seen from 9/11 that China has been cooperating very much in the global fight against terrorism. We also have seen the active and very positive role that China had played in the recent talks on the North Korean Issues. The US also sees that China can be very useful in maintaining the status quo of peace and security in different regions including South Asia, East Asia, Central Asia and even in the Pacific. These are the issues that have brought these two countries closer and certainly they will continue in the future as well. For the time being, it seems that they have basically agreed to keep aside their ideological differences for the benefit of their countries and for the peace and security of the whole world. As regards its implications for Nepal, I do not want to repeat them all. What I should say that certainly the rapprochement between the two countries, our neighbor China and our very good partner the United States will be conducive to peace and development to our country and we need cooperation from both of them. We want to avoid situations, which we have already seen few months ago, like the one regarding the deportation of the illegal Tibetan immigrants. There are other issues as China has always been advocating the interest of the developing countries. Certainly, it will be the prosperity and development of China and its role still as a global player would certainly enhance the voices of the developing countries, which will be in our interest. China's regular emphasis on the five principles of peaceful coexistence is in line with the constitutional provisions of our country too. Therefore, we very much welcome the recent development in rapprochement between China and the United States of America.

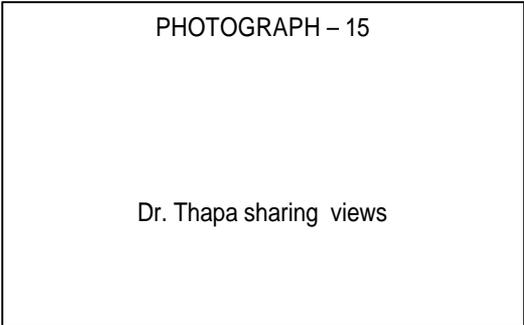
Mr. Philip Scott Cargile, Deputy Director, American Center, US Embassy

I am very happy to address the audience. Normally I am glad to discuss US-Nepal relations. But I am not authorized to discuss US-China relation.



Dr. Karna Bahadur Thapa, Security Analyst

I would like to focus only on security issues with particular reference to on-going Maoist insurgency in Nepal.



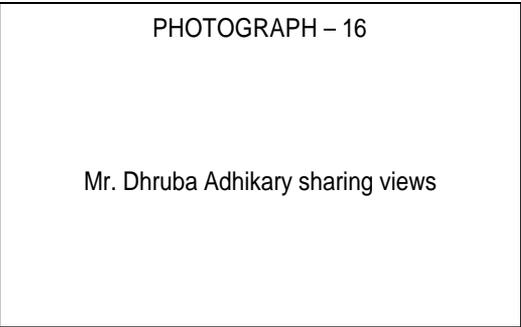
In 1989 we had requested China for arms deal on air defense system and now at the time of real trouble we switched this idea to

Belgium and the United States although by proximity and historical security perspective China and Nepal have closer ties. It should be viewed strategically. Secondly, the United States and other European and Western countries have taken keen interest in the Maoist insurgency in Nepal. But they never initiated any work to establish security and strategic research institutions that can produce first rate brains. Military, police, staff college and war college have been overtaken by strategic institutes. This is a very tragic situation for the security and for the future of Nepal. In the United Kingdom, International Institute of Strategic Studies and in the US, Colombia University, Georgetown University and Harvard University produce the finest brains for the whole Western world. The question is whether the Western countries are trying to quell the Maoist insurgency or to rule over the country by its bureaucratic framework or by its NGOs. Western assistance is not producing anything for the strategic future of Nepal. The Western countries should enhance our capacity on producing first class brains so that they can think of the

short term, mid term and long term future of the country. Their present dealings have just been a kind of ad-hoc management and it does not represent strategic support from any country to Nepal. Therefore, they do not have any long-term implications for the security of Nepal.

Mr. Dhruva Hari Adhikary, Journalist, Nepal Press Institute

The United States, so far, in terms of China has been using the human right question as a sort of a stick to beat China to gain economic benefits through trade and other means. In terms of commitment to human rights and democracy from the United States as



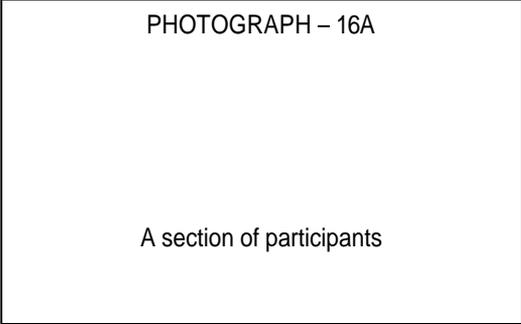
a world power, it should, as a matter of fact, assure the rest of the world that it really is serious about these values. But on the contrary, as we have felt and Dr. Rijal has mentioned, that MFN is to China was renewed every year by the US, though the renewal was ostensibly based on a review of human rights situation in China. So it is just for the economic benefit that the United States is using human rights and democracy issues. It would be useful and interesting if US takes its position complying commitment to the principles of human rights and democracy issues. Further, we are talking about China having a growth rate of 10 percent plus and those kinds of things. But what about the distributive aspect? Are we taking note of the situation that there is a gap, which is widening in China between rich people and the people who are not able to find two meals a day?. Therefore, the point to be taken into consideration is the question of equitable, if not equal distribution of wealth and income, in China.

Response

Mr. Mana Ranjan Josse

First of all, I would like to remind our distinguished participants that the paper I presented was of just a few pages and not a full-blown academic paper. Obviously, I have not examined every little thing in detail. All I attempted was just to initiate the

discussion. I was just trying to show that there are areas where the United States and China share many strategic goals and objectives. Not all. It was due to 9/11, one of the most important outcomes, at least from the point of view of as a student of international relations, the concept, from the America's point of view, that led to the legitimization of the doctrine of preemptive attack as well as preventive war. Earlier in the days when the UN Charter was being framed in 1945, the expectation was there for a right of all states to safeguard their security on grounds of self-defense. This is an important change, which one may like or may not. The US today is a hyper power. There is no other combination of powers that can challenge the US today. That is why countries in the UN Security Council talked-talked-talked and did nothing on the ground to challenge the US in Iraq. So, that is the reality that I am just pointing out. I did not say I did like it. What I am saying it is that I see it.



I think for Mr. Acharya, same things hold well. America is a world's only super power and it has relationships with all countries around the world. India is acting as a player on the world stage and of course that is also another important relationship. But in terms of sheer power, India is not a permanent member of the UN Security Council till now. She certainly does not have the international clout as China. And whether in terms of things like military power, population, size, and even if you talk about trade, there is now a huge amount of trade and economic ties that bind China and the United States. It is my premise that although there are occasional noises about human rights, it is not so strong that is going

to derail this whole process. It has gained its own momentum, which is important for peace and stability. In Asia, in this part of the world, I do not think that it is in the interest of the United States or China to disturb it. Yes, the US is always going to make great deal about democracy. It has placed a great value on human rights; but like I just quoted Sandy Berger, in foreign policy, it is a trading off, there are so many priorities, human rights is just one of very many priorities...Again I have just only briefly touched on it and have quoted American experts who say that despite these differences there is a far growing strategic convergence. So, I do not think this problem is really going to over turn this relationship.

Remark with Vote of Thanks

Dr. Upendra Gautam, General Secretary, China Study Center

This is the third one in the series of China Study Center (CSC) interaction programs on current affairs. We consider the theme of our discussion today as very timely, relevant and of great significance. We are grateful to Prof. Mohan Lohani. He helped us to

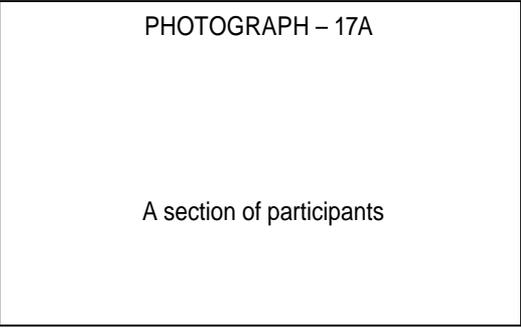
PHOTOGRAPH – 17

Dr. Gautam delivering remark

organize this program. We are deeply obliged to Mr. Mana Ranjan Josse, foreign affairs commentator, for so brilliantly preparing the introductory paper on the interaction theme at such short notice. I have no word to express our deep sense of gratitude to the learned participants of the program. Without their active and intelligent contribution, we would not have such a quality debate on the great theme. A big thank you to you all indeed.

We at the CSC evaluate highly the ever-maturing Sino-US relations. We take it as historic phenomenon, which internationally offers enabling opportunities for China's Western neighbor, Nepal. A mature and good Sino-US relationship can profoundly contribute in adding all-round value to Nepal's unmatched spiritual heritage and natural endowment that hold

universal recognition. Cordial Sino-US relations can help Nepal to rightfully conserve and protect its Buddhist heritage, and sustainably develop its water resources that has a huge potential of generating environmentally friendly energy. It was Nepal,



birthplace of Gautam Buddha and Bhrikuti, from where Buddhism was taken to China. Buddhism provides the spiritual space wherein the inter-civilization dialogues, even between Christianity and Islam, could be carried out.

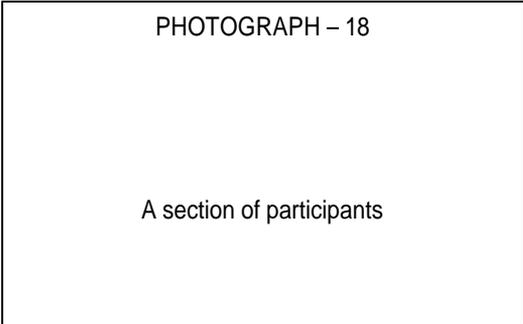
According to a Wall Street Journal report earlier this month, China is now the second largest petroleum user after the US. China's need of energy has implications for stability in the global economy and environment. In this part of Asia, eastern Himalayan water and rich biodiversity has always remained an area of interest for the US. This water can produce clean energy and can contribute towards establishment of clean development mechanism under the Kyoto Protocol. If the US and China, under the WTO regime, bring together their capital and construction skills respectively, Nepal and its neighborhood will not only have clean energy, but also receive the needed impetus to industrialization, which will ultimately help raise the living standard of the teeming millions who are forced to live a life of deprivation due to partisan politics, not clearly accountable to the people.

The prospering Sino-US relations indeed help provide us a vision into our future. We hope Mr. Chen Shui-bian's brinkmanship across the Taiwan Strait will not be able to have any fundamental effect on it. With these words I again thank you all for your active and constructive participation in the program.

Summing Up

Prof Dr. Mohan Lohani

I think this brings us to the end of the program. I am just counting heads. We are twenty-six around the table. Beside Mr. Josse, thirteen participants took part in the floor discussion. So, that means fifty percent responses to the topic on the discussion. That sounds quite encouraging.



Ofcourse, Mr. Josse, in his paper has rightly observed that this is a fascinating subject. It is as expansive in scope as it is complex in nature. Very well put.

All commentators have expressed their views freely and also they have sought to add what is left out in the paper. All your views have been tape recorded. The CSC will bring out if not a lengthy report, a fairly reasonable proportion. It will be distributed to all participants, as well as to others interested in this topical theme.

With these few words, I would like once again on behalf of the China Study Center to thank you for your participation and particularly for your very lively response to this highly topical theme which is of significant relevance to our own country.

ANNEX – 1: Program Details

1A: Program Schedule

An Interaction Program on *Sino-US Relationship and its Global Implications*
with *Special Reference to Nepal*
Thursday 18 December, 2003

- | | |
|--|------------------|
| 1. Arrival of Guests | 10.30 AM |
| 2. Tea | 10.30 – 10.45 AM |
| 3. Welcome Speech by Prof. Dr. Mohan Lohani,
Program Convener | 10.45 – 10.55 AM |
| 4. Statement by Mr. Madan Regmi,
Chairman, CSC | 10.55 – 11.00 AM |
| 5. Interaction Discussion initiated by Mr. Mana
Ranjan Josse, Foreign Affairs Commentator | 11.00 – 11.20 AM |
| 6. Floor Discussion | 11.20 – 12.20 PM |
| 7. Remark with Vote of Thanks by Dr. Upendra
Gautam, General Secretary, CSC | 12.20 – 12.25 PM |
| 8. Summing Up | 12.25 – 12.30 AM |
| 9. Lunch | 12.30 – 01.30 PM |

1B: List of Participants

**An Interaction Program on *Sino-US Relations and its Global Implications*
with *Special Reference to Nepal*
Thursday 18 December, 2003**

Participant's Name	Designation	Address	Telephone
Ambika Luintel	Under Secretary	Ministry of Foreign Affairs	4416011
Bimal R. Pandey	President	Alliance for Democracy and Human Rights, ADHR, Lazimpat	4428495
Chiran Sumsher Thapa	Retired Royal Palace Official	Bhagbati Bahal, Naxal, Kathmandu	4411159
Deepak Paudel	Journalist	Rajdhani Daily	4498080
Dhurba Hari Adhikary	Journalist	C/o Nepal Press Institute, Kathmandu	5523154
Hira B. Thapa	Joint Secretary	Ministry of Foreign Affairs	4166031
Jaya Raj Acharya	Former Permanent Representative to UN	Sri Marg, Lazimpat, Kathmandu	4419298
Jitendra D. Khand	Professor	Central Department of Political Science, TU, Kritipur, Kathmandu	4370427
Kala Nidhi Devkota	Member	China Study Center	4445789
Karna B. Thapa	Security Analyst	Lalitpur	5544581
Keshav R. Jha	President	Nepal Council of World Affairs, Lalitpur	5526222
Khaga Nath Adhikari	Under Secretary	Ministry of Foreign Affairs	4426794
Lokendra Adhikari	Journalist	Space Time Daily	4487791
Luo Wenjun	Second Secretary	Chinese Embassy	4434472
Ma Yingchan	Second Secretary	Chinese Embassy	4416485
Madan Regmi	Chairman	China Study Center	4421024
Mana Ranjan Josse	Consultant Editor, People's Review	24/28 Pasang Lamo Sadak, Kathmandu	4471089
Minendra P. Rijal	Chairperson	APEX College, Naya Baneshwor, Kathmandu	4467922
Mohan P. Lohani	Member	China Study Center	4373336

Nabin B. Shrestha	Joint Secretary	Ministry of Foreign Affairs	4432845
Narayan D. Shrestha	Officiating Executive Director	Institute of Foreign Affairs, Kathmandu	4266954
Nirajan Bhattarai	Former Ambassador	Sanepa, Lalitpur	5535344
Philip Cargile	Deputy Director	American Center, US Embassy, Kathmandu	4411179
S.Mohamad Habibullah	Professor	Dept. of Political Science, Tribhuvan University, Kathmandu	4333200
Sailendra K. Upadhyay	Former Minister of Foreign Affairs	Minbhawan, Kathmandu	4471144
Song Dejun	Chief Correspondent	Xinhua News Agency	4434475
Sundar Nath Bhattarai	Former Ambassador	Soltee Mode, Kathmandu	4278743
Uendra Gautam	General Secretary	China Study Center	2080265
Yam Bahadur Thapa	Researcher	Himal Energy Dev. Pvt. Ltd.	6631638

ANNEX – 2: Documents

2A: Remarks by President Bush and Premier Wen at the White House Welcome Ceremony

President Bush and Premier Wen Jiabao Remarks at Ceremony Held in Honor of Arrival of Chinese Premier Wen Jiabao in the South Grounds of the White House, Washington, DC, 9 December, 2003

PRESIDENT BUSH: Mr. Premier, members of the delegation, it is my honor to welcome you to the White House. Your visit reflects the increasing ties of cooperation and commerce between our two nations.

America and China share many common interests. We are working together in the war on terror. We are fighting to defeat a ruthless enemy of order and civilization. We are partners in diplomacy working to meet the dangers of the 21st century. We are full members of a world trading system that rewards enterprise and lifts nations.

Our two nations seek a Korean Peninsula that is stable and at peace. The elimination of North Korea's nuclear programs is essential to this outcome. Realizing this vision will require the strong cooperation of all North Korea's neighbors. I am grateful for China's leadership in hosting the six-party talks which are bringing us closer to a peaceful resolution of this issue. And my government will continue to work with China as it plays a constructive role in Asia and in the world.

The rapid rise of China's economy is one of the great achievements of our time. China's increasing prosperity has brought great benefits to the Chinese people and to China's trading partners around the world. We recognize that if prosperity's power is to reach in every corner of China, the Chinese government must fully integrate into the rules and norms of the international trading and finance system.

China has discovered that economic freedom leads to national wealth. The growth of economic freedom in China provides reason to hope that social, political and religious freedoms will grow there, as well. In the long run, these freedoms are indivisible and essential to national greatness and national dignity.

As our two nations work constructively across areas of common interest, we are candid about our disagreements. The growing strength and maturity of our relationship allows us to discuss our differences, whether over economic issues, Taiwan, Tibet, or human rights and religious freedom, in a spirit of mutual understanding and respect.

China is a great civilization, a great power, and a great nation. Premier Wen, when my country looks forward to -- my country looks forward to working with you as China increasingly takes its place among the leading nations of the world.

The United States and China have made great progress in building a relationship that can address the challenges of our time, encourage global prosperity and advance the cause of peace. It is my hope that your visit will further that progress. Welcome, and thank you for coming. (Applause.)

PREMIER WEN: Mr. President, Mrs. Bush, ladies and gentlemen, friends. I wish to thank you, Mr. President, for your kind invitation. It is with pleasure that I'm paying an official visit to the United States. I have brought with me the sincere greetings and good wishes of the great Chinese people to the great American people.

PRESIDENT BUSH: Thank you, sir.

PREMIER WEN: A quarter of a century ago, leaders of our two countries made the strategic decision to establish diplomatic relations, thus opening a new era in China-U.S. relations. In the past 25 years, our relations have stood tests of all kinds, moved forward through twists and turns, and made great progress. Our cooperation in a wide range of areas such as counterterrorism, economy, trade and international and regional issues has effectively safeguarded our mutual interests and promoted peace, stability and prosperity in the Asia Pacific region and the world at large.

At present, we are at a crucial juncture of carrying our relationship into the future where we face both opportunities and challenges. The changing situation has continued to add new substance to our relations. The fundamental interests of our two peoples and the people across the world require that China and the United States step up cooperation, increase mutual trust, and further push forward the constructive and cooperative bilateral relations. In the final analysis, China-U.S. relations must go on improving. It is with this earnest desire that I've come to visit your country.

We should view and handle China-U.S. relations in an historic perspective, and with strategic foresight and courage. The three Sino-U.S. communiqués drawn up by our two sides sets the guiding principles for appropriately addressing differences between the two countries, and continuing to broaden bilateral exchanges and cooperation. So long as the two sides continue to strictly abide by the principles as set forth in the three Sino-U.S. joint communiqués, and boost cooperation, our relationship will keep moving forward steadily. Let us join hands to create an even better future for two great countries and the wider world.

Mr. President, once again, thank you for your warm welcome. (Applause.)

2B: Washington Post interview with Premier Wen

Interview with Chinese Premier Wen Jiabao on Nov. 21, 2003 by Executive Editor Leonard Downie Jr., Assistant Managing Editor for Foreign News Philip Bennett, and Washington Post correspondents John Pomfret, Philip P. Pan and Peter S. Goodman.

Premier Wen:

I know this is your first time in China, so let me start by extending my warmest welcome to you and your colleagues. I can quote one fitting ancient Chinese poem to describe our meeting: "Good friends highly value their words. They travel a thousand li to keep their promise for a gathering." In a few days time I will visit your great country. So first of all I wish to convey through The Washington Post my cordial greetings and best wishes to the great American people.

I remember only a couple of days after the September 11 incident I was here receiving participants during an international financial conference in Beijing. And among the delegates to the meeting there was one lady expert from the United States. I noticed that she looked very sad and lonely, so I extended my hand to her and expressed my sympathy, and I also asked her to convey my solicitude to the American people.

China and the United States, two great nations, have had exchanges for over 200 years and across three centuries. And I remember so well so many touching stories about the profound friendship and good cooperation between the two peoples. In the 1860s, Chinese workers, by the tens of thousands, went to the U.S. to build the trans -continental railroad that links the east and west coast. The Chinese workers defied starvation and cold and worked for very meager income. Many other workers could not endure the harsh conditions. Only the Chinese workers stuck it out to the very end. Many, many Chinese workers lost their lives in the process of construction and there were too many to count. It was recorded in history that the last sleeper was laid by four Chinese workers. Hence, in 1991, the state of Illinois sent a delegation to Shanghai solely for the purpose of building a monument with 3,000 railway spikes and they said that the contribution of Chinese workers was essential in linking the east and west coasts and promoting national unity. I also remember very well that from May 1942 to September 1945 a group of young American pilots from the famous Flying Tiger squadron flew the Hump Route to support China during the war against fascism. The Hump Route was famous for its danger and in those years more than 500 planes crashed, claiming the lives of more than 1,500 Chinese and American pilots. That route was also known as the aluminum trail for the wreckage of crashed planes glittering in the sunlight. However, that route is a testimony to the cooperation between the Chinese and the Americans. The reason why I recall these touching stories is because I hope our interview will start in a good atmosphere of mutual respect and friendship. You may ask questions on the list as well as questions not on the list.

Q: One of the current issues for joint Chinese and American action is the current situation in Taiwan. What would you like the President of the United States to do to help China deal with the current situation in Taiwan?

A: The recent remarks and activities by the leaders of the Taiwan authorities, especially their deliberate provocations on the referendum issue and writing a constitution, show clearly not only their obstinate clinging to national splittism but also their stepped up efforts at Taiwan independence.

You put the question of Taiwan to me. Actually, I have also been asking questions: What are the Taiwan authorities driving at with all that they are doing and where are they taking Taiwan? Do they still respect the cherished aspirations of the Taiwan compatriots for peace, stability and development? Do they really want to maintain peace and stability in the Taiwan Straits or are they bent on disrupting peace and stability in the Taiwan Straits? I believe that these questions are of concern to people on China's mainland and of concern to our Taiwan compatriots, and they are also of concern to the United States and the international community at large.

Our policy toward Taiwan is a clear-cut one. It is "peaceful reunification and one country, two systems." We will not give up our efforts for a peaceful settlement of the question of Taiwan because a peaceful settlement is in the fundamental interests of all Chinese people, our Taiwan compatriots included. But we will not sit by and do nothing faced with provocative activities aimed at splitting the motherland.

China's sovereignty and territorial integrity brook no division and the position of the Chinese government on upholding the one-China principle is rock firm and defies all challenges. I hope the U.S. government will recognize the gravity and danger of the provocative remarks and actions taken by the leader of the Taiwan authorities that would undermine the prospects for peaceful reunification and that the U.S. side would not send any wrong signals to the Taiwan authorities. And we hope that the U.S. side would take practical measures that are conducive to the maintenance of peace and stability in the Taiwan Straits.

Q: Are there specific measures that you would like the United States to take? Do you have specific measures in mind?

The Taiwan question is the most important and sensitive issue in the China-U.S. relationship. So on the question of Taiwan, the U.S. side must be very straightforward in adhering to the principles of the three Sino-U.S. joint communiqués and in opposing Taiwan independence. The U.S. side must be crystal clear in opposing the use of a referendum or writing a constitution or all other tactics used by the leader of Taiwan authorities to pursue his separatist agenda. And the U.S. side must adhere to the principle of the Aug. 17 communique and stop arms sales to Taiwan. This will fundamentally help maintain peace and stability in the Taiwan Straits. It will also be conducive to the advancement of the process of the peaceful reunification of China. It will also be fundamentally helpful to the maintenance of world peace and stability.

Q: If the leadership of Taiwan continues to proceed along the road it is on, despite what you say and despite what the Americans might say, what measures is China prepared to take?

A: That is the most crucial question. Taiwan is China's sacred territory and is an inalienable part of Chinese territory. No Chinese government will abandon the position of peaceful reunification on this question. We completely understand the desire of the Taiwan compatriots for democracy, and we also understand their hopes for a peaceful environment. However, when the leadership of the Taiwan authorities wants to separate Taiwan from Chinese territory, no Chinese will agree. The Chinese people will pay any price to safeguard the unity of the motherland. I assume that you are familiar with the words of President Lincoln, who once said, "a house divided against itself will not stand." He also said that "the Union (composed of States) is perpetual." It is our hope that the situation would not lead to that point. Therefore, we will not give up our efforts for peace.

Q: China is a very large trading partner of the United States. Recently, the Bush administration announced its intention to restrict some exports of Chinese textiles. Do you believe it will be necessary for China to take retaliatory action?

A: Problems that crop up in our bilateral trade and economic cooperation must be handled properly because the expansion of trade and the development of economic cooperation between us serve the fundamental interests of the Chinese and American peoples. In 1972 when the door was open to our relationship 30 years ago, our trade was practically nil. At the time Dr. [Henry] Kissinger visited China, each visiting American to China was only allowed to carry \$100 to spend in the Chinese market. We only started to have statistics about our trade in 1979, and in that year the trade volume was less than \$2.5 billion. Now, after 25 years of joint cooperation and trade has developed significantly and trade volume has already reached \$100 billion, that's a 40-fold increase. So you can see the development of such a trade relationship has served the interests of both peoples.

I am aware of the U.S. concern over the huge trade imbalance. I would like to give you a few explanations. First, such a trade imbalance is to a great extent structural and a result of shifting commercial relations. I will give you one example. While the trade imbalance that exists between China and the U.S. is going up, China's trade deficit in our trade with Asian countries is also going up at the same time. In the first 10 months of this year, China's exports grew by 32 percent, however our imports grew by 40 percent.

Second, if you look at our export, actually Sino-foreign joint ventures or wholly foreign-owned enterprises contribute to 65 percent of our total exports and more than half of our exports involve the processing of imported material or parts, and the majority of profits actually go to the foreign investors. These enterprises include the U.S.-invested enterprises in China, such as Motorola and Wal-Mart.

Third, what we sell to the U.S. market are the products that U.S. consumers need, and Chinese products are affordable but of very good quality. So our exports actually help stabilize the price in the U.S. markets and also satisfy the needs of U.S. consumers.

Fourth, it is not China's aim to seek long-term and excessive trade surpluses. Our aim in trade policy is to have a basic balance between imports and exports. We are willing to open up our markets to buy more from the United States and other countries, especially to purchase high-tech products.

Not so long ago, we sent a few purchasing missions to the United States and they signed contracts worth billions of U.S. dollars. That demonstrates our sincerity. At the same time, we hope that the United States would grant market economy status to China and lift restrictions on China and open up its market.

I can give you an example. A few years ago, China placed an order for a Loral satellite and we paid a deposit of more than \$130 million. However, the relevant US departments do not agree. So the contract has not been implemented and the \$130 million deposit has not been refunded.

In reality, these restrictions can in no way hinder China's development. In the past few years, China has continuously sent satellites successfully into orbit and we also have our space program. For instance, some digital machine tools, some computers -- with respect to these projects, China already has very strong R&D capabilities and in certain areas are actually at the forefront. Nevertheless, the United States still places these products on the list of restricted items.

Q: Given everything you've told me so far, were you surprised then by the action on textiles and is there anything China needs to do in response?

A: I'm not just surprised, I'm shocked and the Chinese people have been surprised and shocked. This unilateral restrictive action, involving textile products only worth \$400-500 million and without any prior discussion with the Chinese government, seriously wounded the feelings of the Chinese people. I wonder if you have taken note of the response by the international community and the reaction of experts in the field. Such a decision has hurt the US market. I want to invoke another Chinese saying: We should not be afraid of the dark clouds blocking our view because we are already at a high elevation. With respect to our joint cooperation in trade and in cooperation in other areas, it is important to adopt a strategic perspective like the view you would have when you are already on top of Mount Tai. Then all other mountains would be dwarfed.

We hope between China and the U.S. we can establish a mechanism for regular coordination and cooperation to tackle the problems that might come up. This will be one of the proposals I will bring to the United States because I think such a mechanism would play a positive role in solving problems. The establishment of such a mechanism will provide guarantees for equal consultations as a way to handle our disputes. Arbitrarily imposing sanctions or restrictions will not help solve the problem. On the contrary, it will hurt the interests of both sides. I hope the textile issue can be properly tackled through consultation between the two sides.

Q: What is your thinking about the suggestion that changing the way in which the Chinese currency is valued would make a contribution to the trade relations between the two countries?

A: We first began reforming our exchange rate regime in 1994. It was decided at that time that we would adopt a market-based, single, managed floating exchange rate regime. Some people claim the value of the RMB is fixed and has not changed. This does not square with the facts. I think it would be more accurate to say that the band of fluctuation of the RMB is quite narrow. Since 1994, the RMB has appreciated in real terms by 18.5 percent against the U.S. dollar and by 39.4 percent against the Euro. In 1997, during the Asian financial crisis, we withstood pressure for RMB devaluation and since then, the band of fluctuation of the value of the RMB has been quite narrow.

The exchange rate of a country's currency should be set in accordance with its national conditions and the state of its economic and financial sector. There is no denying we still face very daunting tasks in financial and banking reform. We already allowed our currency to be freely convertible under the current account in 1996, and it will take a very long period of time and arduous efforts before we can achieve the objective of a freely convertible currency under the capital account. We are definitely going to accelerate reform of the financial and banking sector and while we do so we'll explore how to form a rational mechanism in which the value of the RMB will fluctuate on the basis of market conditions.

I don't think the exchange rate of the RMB is an important contributor to the trade imbalance between China and the U.S. The increase of China's export is mainly attributed to the abundant supply of competitive labor in China.

Q: China and the United States are working closely together to try to assure that the Korean peninsula remains free of nuclear weapons. Do you believe that North Korea currently possesses nuclear weapons?

A: I am unable to give you an answer to that question because I truly don't know. But I can clearly tell you our attitude. We hope the Korean peninsula will be free of nuclear weapons, and we hope that peace and stability will be maintained on the Korean peninsula.

Q: President Bush has assured the North Koreans that the United States does not intend to attack. Are there other specific steps that you believe the United States should be taking to try to bring a resolution, to create an agreement with North Korea?

A: You must have also noticed that there has been some progress in the process of dialogue on the nuclear issue. The DPRK has stated that it does not seek to possess nuclear weapons and that denuclearization is its ultimate goal. And recently, it has also said that under the prerequisite that its security concerns are met and the United States abandons its hostile policy toward the DPRK, the DPRK is prepared to give up its nuclear program. The Bush administration has repeatedly said that the United States has no intention to invade or change

the regime of the DPRK, and that it wants to resolve the nuclear issue through peaceful negotiations. So in my view, the positions of two sides are now closer than before.

I think the best way is to continue with the Beijing six-party talks so that all parties concerned can sit together to have discussions on the basis of mutual respect, equality and mutual trust, and through such consultations they can, in the end, work out a solution that is acceptable to all parties concerned and that is helpful for the peaceful resolution of the nuclear issue.

Q: The Dalai Lama has declared that he is not seeing independence for Tibet. Do you foresee face-to-face meetings with the Dalai Lama and representatives of China?

A: Regrettably, the Dalai Lama has not genuinely given up his position of Tibet independence and has not given up the separatist activities aimed at splitting the motherland. He also has not recognized that Taiwan is an inalienable part of Chinese territory.

We have taken note of the recent remarks by the Dalai Lama but we still need to watch very carefully what he really does. So long as he genuinely abandons his position on seeking Tibetan independence and publicly recognizes Tibet and Taiwan as inalienable parts of Chinese territory, then contacts and discussions between him and the central government can resume. The door to communication between the central government and the Dalai Lama is wide open.

Q: China's economic performance has been very rapid in recent years, creating a very strong Chinese economy, and great economic growth in a short period of time. Do you also believe political reform should be accelerated to keep pace with economic reform?

A: China embarked on the road to reform and opening up in 1978. Our reform is a comprehensive one which includes both economic and political restructuring. Precisely as Mr. Deng Xiaoping pointed out, without the guarantee of political reform, economic reform will not be successful. In essence political restructuring in China aims at integrating the leadership of the Chinese Communist Party, rule of law in the conduct of public affairs and the people's role as masters of their own affairs.

At present, it is particularly important to do a good job on the following. First of all, we should develop democracy to safeguard people's democratic rights and to respect and protect their human rights. Secondly, we should improve on the legal system through better legislation, better administration according to law, and greater judicial reform. Thirdly, we should run the country according to law, making our socialist democracy more institutionalized, standardized and proceduralized, and in this way we can make sure that it will not change because of changes in the leadership and changes in the views and focus of attention of leaders. Fourth, we must strengthen supervision, and we should make sure that the government is placed under the supervision of the people. We have to develop democracy and strengthen supervision. Only in this way can we make sure the government will not relent in

its efforts, and the situation whereby the policy fails when the leadership changes will not occur.

China is a big country with 1.3 billion people. So to press ahead with political reform, it has to be done in an orderly and well-organized fashion. Now there exist many misunderstandings. For instance, with regard to freedom of religious belief, freedom of religious belief is actually written into China's constitution. China currently has over 100 million religious followers. China has over 100,000 religious sites. Since the beginning of reform and opening up, one religious site has been either newly built or restored every three days. You may just take a walk around the Zhongnanhai compound, and you can see many religious sites. For instance, the Wangfujing Catholic church to the east, the Niujie mosque of Islam to the south, the Yonghe Buddhist monastery to the north and the Baiyun Taoist temple to the west. Nearest to Zhongnanhai is the Xishiku church with a long history. You may visit these religious sites. You will see many people practicing their religious faith there.

Over the past 5,000 years of Chinese history, China has been very tolerant toward the development of religion. Among the five major religions in China, only Taoism is an indigenous religious belief. The other four actually came from overseas. For instance, Buddhism came to China from India, Catholicism and Protestantism from the West, and Islam from the Middle East and West Asia.

Q: What steps do you anticipate will be taken next in political reforms? For example, might direct elections of local governments be extended upward to the township level?

A: You must know quite a lot about Chinese elections. At the moment, we have introduced the practice of self-administration and direct elections in 680,000 villages. This is a great innovation, and it is also very good practice for Chinese farmers. We have also introduced suffrage for the election of people's deputies at the level of townships, counties and urban cities without districts. Indirect elections are held for the leadership of the provinces, autonomous regions, municipalities with districts, as well as the central authorities. Why? This is because China is such a huge country. It has a big population. It is underdeveloped, and economic development is uneven between regions. So conditions are not ripe for direct elections at the higher levels. The first hindrance in my view is the inadequate education level of the population.

Q: Premier Wen, you mentioned uneven development during this period of great economic growth. Are you concerned about a gap growing in economic conditions between the more well off parts of China and the poorer parts of China, such as in the west?

A: I do have such concerns. Not too long ago, the Commerce Secretary, Mr. Evans, visited China, and he started his visit going to China's northwest. He came to see me with two photographs that were taken when he visited the countryside in China's northwest. From his visit, he learned that the countryside in China is still very backward. So I told him with this knowledge, all the problems that he was about to discuss with me could be well solved.

I've personally been to over 1,800 counties throughout the country. So I'm in a position to say I've seen the worst poverty in China. So I know very well how uneven our development has been. Yes, it is true that in the coastal areas in the East, skyscrapers overwhelm you. However, in large areas of the countryside, people are still living in shabby houses with thatch roofs and still use oxen to till the land. Thirty million people are still below the poverty line.

So one important inspirational lesson we have learned from the struggle against the SARS epidemic is that we have to emphasize coordinated development. And this is what the new Chinese leadership has learned from the struggle against SARS.

Uneven development between the urban and rural areas, and imbalance between economic development and social progress -- this situation can be described with an analogy. It's like a human being who has one long leg and one short leg. If one leg is longer than the other, this person is bound to stumble and fall. And a country with one leg longer than the other will also stumble and fall.

But the problem can only be resolved through continued development. The eastern part of the country will be encouraged to continue with the big momentum of their development. And where conditions permit, they should take the lead in achieving basic modernization. This is because through their development, a lot of financial resources will be made available to support the development of China's center and west. At the same time, we're also implementing a strategy to develop China's western region. And very recently, we decided to implement a strategy to revitalize the old industrial bases in China's northeast. So with good interaction between the east and west, we hope to bring along development in the central region of the country. With all these efforts, we hope we can gradually bring about more coordinated development between different regions. But I want to remind you that this could be a very time-consuming process.

Q: Is this also the reason why you are changing the constitution to protect private property rights and giving farmers the right to buy and sell land use rights?

A: We have decided on an important policy and that is public ownership will be the mainstay and multiple forms of ownership will develop side by side. To sum up, we can use two "unswervingly" to describe this. We will unswervingly uphold the public ownership system and develop the public sector, and we will unswervingly encourage, support and guide the development of the non-public sector, the private-sector included.

This basic economic system has been written into our constitution, and in the recently held third plenary session of the 16th Central Committee of the Chinese Communist Party, the concept of property rights was introduced. It was made very clear at the session that we would formulate legislation protecting private property. Such a move was entirely based on China's actual conditions in the spirit of seeking truth from facts, because this will help accelerate China's economic development. It will also help ease the pressure from employment. It will also give greater scope to the creativity and enterprising spirit of the Chinese population and

will in the end help us achieve the goal of common prosperity. At the moment, privately run enterprises employ a total of 80 million workers and they contribute to 23 percent of our GDP. In the countryside, we have the household contract system. It has long since been stipulated that land operated by farmers can be transferred in a lawful and compensatory manner.

Q: Earlier you mentioned the financial sector. Do important changes need to be made there to provide more financing for the private sector and business? And does the government need to take steps to deal with the loan problem at some of the big banks?

A: Financial reform is the most crucial part of our overall economic reforms. As is known to all, the financial sector in China has been plagued by many problems. The biggest problem is the fairly high proportion of nonperforming loans from banks. There exists significant risk. The problem is caused by defects in the system. So we have to accelerate the reform of the banking system. Our aim is to put in place a modern banking system whereby the commercial banks will be commercial banks in the true sense of the word. That means they will be responsible for their own operation decisions and they will be held responsible for their profits and losses. On our part, we will help create conditions to introduce corporate governance to the banks through the share-holding system. Those that meet the conditions can go public or be listed.

You also touched upon an important point, that is to ensure there will be more financing in support of small and medium-sized enterprises and also the privately run enterprises. I have to admit that not enough has been done in this field, even though the small and medium-sized enterprises play a very important role in creating job opportunities and in providing employment. So while we step up regulation and improve our capability to avoid financial risks, we should make sure that the banks would provide more financing and support of these small and medium-sized enterprises.

Q: If I may ask one question about the events of 1989 in Tiananmen. You went to visit the students there during that time. Have you concluded were they counterrevolutionaries or were they patriots?

A: In the last century, at the turn of the 1980s and 1990s, drastic changes took place in the Soviet Union and countries of Eastern Europe. In China, a political disturbance occurred. At that time, the party and government of China adopted resolute measures in a timely fashion to safeguard social stability and became more determined to press ahead with China's reform and opening up. Our development over the past years has proven that stability is of vital importance for China. As Premier of this country, I think the most important issue for me is to ensure stability and development. This is because China has 1.3 billion people.

Q: You've talked about stability being an important concern of yours here. President Bush has in two recent major speeches talked about the importance of freedom as a core American value. Do you see the core

values of America and China being different or similar, and how does that affect the future development of Chinese-American relations?

A: Let me ask you a question. In the past 25 years of reform and opening up, enormous changes have taken place in China's economic landscape. Have people from the outside ever seen the changes taking place in China's democracy and freedom? At the moment, people can choose what kind of jobs they want to have, they can choose what kind of information they seek, they can choose where to visit. Twenty-five years ago, for a Chinese person to visit a foreign country or even to visit Hong Kong, part of our own country, it was very difficult or almost impossible. At the moment, every year, tens of millions of Chinese travelers visit places across the world. And in addition, as I said earlier, we now have freedom of religious belief.

Let me share with you how I feel about my duties. As Premier of China, my responsibility is heavy, the job is demanding, and there is endless work to do. 1.3 billion is a very big number. So if we use multiplication, any small problem multiplied by 1.3 billion will end up being a very big problem. For a very big aggregate divided by 1.3 billion, it will come to a very tiny figure. This is something that is quite difficult for foreign visitors to understand and appreciate.

I remember that in the Declaration of Independence, Jefferson wrote that all men are created equal, that they are endowed by their creator with certain inalienable rights, that among these are life, liberty and the pursuit of happiness. He put life before anything else. So when we say that for the Chinese people's human rights, the right to life and development is most important, sometimes our friends in the Western countries find this difficult to understand. I think they only need to refer to the Declaration of Independence written by Thomas Jefferson. In 1776, in that Declaration of Independence, he already put the right to life before every other right. The U.S. has also witnessed the process of development of democracy if you look at the history, from the Declaration of Independence in the 18th century, the Civil War in 19th century, and to the Martin Luther King incident in the 20th century.

If I can speak very honestly and in a straightforward manner, I would say the understanding of China by some Americans is not as good as the Chinese people's understanding of the United States.

Q: Speaking of that, you seem to have a very good understanding of the United States. Have you visited the United States before?

A: I have not made an official visit to the United States, but I've been to the United States during a stopover on my way to South American countries. I spent a few days in New York and in Los Angeles.

Q: So you know a lot from what you've been reading I imagine about the United States. Is there anything that's made a particular impression on you in your reading about the United States?

A: My biggest hobby actually is reading. I don't know how to live without books. They're my best companion. Let me share with you a story. Once I had a meeting with the President of the Republic of Korea, Mr. Roh Moo -hyun, and he told me that in his inauguration speech, he quoted President Abraham Lincoln from one of his speeches in 1861. So after the meeting, I went back home and looked for the book about Abraham Lincoln on my bookshelf, and I found that paragraph. In the very same paragraph, I had already used red pencil to underline these lines.

He wrote, "The mystic cords of memory, stretching from every battlefield and patriot grave, to every living heart and hearthstone, all over this broad land, will yet swell the chorus of the Union, when touched again, as surely they will be, by the better angels of our nature."

So my understanding is that Lincoln's approach to the Civil War had an impact, an influence on President Roh Moo -hyun on how he's going to address the problems between the North and the South. President Roh wants to see reconciliation between the two.

I want to make one last remark. Last year, President Jiang Zemin visited the U.S. and this year, President Hu Jintao has met President Bush twice. The Chinese side has explicitly stated its desire to further improve and develop its relations with the U.S. The United States is the most developed country in the world. China is the most populous developing country in the world. To develop friendship and cooperation between these two countries will not only bring benefits to our two peoples but also be conducive to peace and stability in Asia and the world at large. In 1972, farsighted leaders on the two sides opened the door for exchanges between us, and put an end to 23 years of estrangement and no contact. That started the peaceful coexistence between us. Despite the many ups and downs we have experienced, our relationship has moved forward. So what have we learned from the past years of the history of our relationship? I think at least we can draw three conclusions. First, cooperation will bring benefits to both nations, whereas confrontation will hurt both sides. Second, there exists a good basis of cooperation and common interests between China and the United States. Third, friendship and cooperation between China and the U.S. is not only conducive to peace and stability in the Asia-Pacific region, it is also conducive to peace and stability throughout the world.

2C: Turning Harvard Eyes to China

The following is the full text of Chinese Premier Wen Jiabao's speech delivered at Harvard University, 10 December, 2003 entitled "Turning Your Eyes to China".

Mr. President,
Ladies and Gentlemen,

I would like to begin by sincerely thanking President Summers for his kind invitation.

Harvard is a world-famous institution of higher learning, attracting the best minds and bringing them up generation after generation. In its 367 years of history, Harvard has produced seven American presidents and more than 40 Nobel laureates. You have reason to be proud of your school.

It is my great pleasure today to stand on your rostrum and have this face-to-face exchange with you. I am an ordinary Chinese, the son of a school teacher. I experienced hardships in my childhood and for long years worked in areas under harsh conditions in China. I have been to 1,800 Chinese counties out of a total of 2,500. I deeply love my country and my people.

The title of my speech today is "Turning Your Eyes to China".

China and the United States are far apart, and they differ greatly in the level of economic development and cultural background. I hope my speech will help increase our mutual understanding.

In order to understand the true China - a changing society full of promises - it is necessary to get to know her yesterday, her today, and her tomorrow.

China yesterday was a big ancient country that created a splendid civilization.

As we all know, in the history of mankind, there appeared the Mesopotamian civilization in West Asia, the ancient Egyptian civilization along the Nile in North Africa, the ancient Greek - Roman civilization along the northern bank of the Mediterranean, the ancient Indian civilization in the Indus River Valley in South Asia, and the Chinese civilization originating in the Yellow and Yangtze river valleys. Owing to earthquake, flood, plague or famine, or to alien invasion or internal turmoil, some of these ancient civilizations withered away, some were destroyed and others became assimilated into other civilizations. Only the Chinese civilization, thanks to its strong cohesive power and inextinguishable appeal, has survived many vicissitudes intact. The 5,000-year-long civilization is the source of pride of every Chinese.

The traditional Chinese culture, both extensive and profound, starts far back and runs a long, long course. More than 2,000 years ago, there emerged in China Confucianism represented by

Confucius and Mencius, Taoism represented by Lao Zi and Zhuang Zi, and many other theories and doctrines that figured prominently in the history of Chinese thought, all being covered by the famous term "the masters' hundred schools". From Confucius to Dr. Sun Yat-sen, the traditional Chinese culture presents many precious ideas and qualities, which are essentially populist and democratic. For example, they lay stress on the importance of kindness and love in human relations, on the interest of the community, on seeking harmony without uniformity and on the idea that the world is for all. Especially, patriotism as embodied in the saying "Everybody is responsible for the rise or fall of the country"; the populist ideas that "people are the foundation of the country" and that "people are more important than the monarch"; the code of conduct of "Don't do to others what you don't want others to do to you"; and the traditional virtues taught from generation to generation: long suffering and hard working, diligence and frugality in household management, and respecting teachers and valuing education. All these have played a great role in binding and regulating the family, the country and the society.

On this year's Teacher's Day which fell on 10th of September, I went to see Professor Ji Xianlin of Peking University in his hospital ward. Professor Ji, 92, is a great scholar in both Chinese and western learning, specializing in oriental studies. I enjoy reading his prose. In our r^ote-^ote we talked about the movement of "Eastern learning spreading to the West" and "Western learning spreading to the East". In the 17th and 18th centuries foreign missionaries translated Chinese classics into European languages and introduced them to Europe, and this aroused great interest in some eminent scholars and enlightenment thinkers there. Descartes, Leibniz, Montesquieu, Voltaire, Goethe and Kant all studied the traditional Chinese culture.

In my younger days I read Voltaire's writings. He said that a thinker who wanted to study the history of this planet must first turn his eyes to the East, China included.

Interestingly, one and a half-century ago, R.W. Emerson, famous American philosopher and outstanding Harvard graduate, also fell for the traditional Chinese culture. He quoted profusely from Confucius and Mencius in his essays. He placed Confucius on a par with Socrates and Jesus Christ, saying that we read [the moral teachings of the Confucian school] with profit today, though they were "addressed to a state of society unlike ours".

Rereading these words of Voltaire and Emerson today, I cannot but admire their wisdom and farsight.

China today is a country in reform and opening-up and a rising power dedicated to peace.

The late Dr. John King Fairbank used the following words to describe China's over population and land scarcity. On the land owned by one farmer in the US, there might live hundreds of people forming a village in China. He went on to say that although the Americans were mostly farmers in the past, they never felt such pressure of population density.

A large population and underdevelopment are the two facts China has to face. Since China has 1.3 billion people, any small individual shortage, multiplied by 1.3 billion, becomes a big, big problem. And any considerable amount of financial and material resources, divided by 1.3

billion, becomes a very low per capita level. This is a reality the Chinese leaders have to keep firmly in mind at all times.

We can rely on no one except ourselves to resolve the problems facing our 1.3 billion people. Since the founding of the People's Republic, we have achieved much in our national reconstruction; at the same time we have made a few detours and missed some opportunities. By 1978, with the adoption of the reform and opening-up policies, we had ultimately found the right path of development - the Chinese people's path of independently building socialism with Chinese characteristics.

The essence of this path is to mobilize all positive factors, emancipate and develop the productive forces, and respect and protect the freedom of the Chinese people to pursue happiness.

China's reform and opening-up have spread from rural areas to the cities, from the economic field to the political, cultural and social arenas. Each and every step forward is designed, in the final analysis, to release the gushing vitality of labor, knowledge, technology, managerial expertise and capital, and allow all sources of social wealth to flow to the fullest extent.

For quite some time in the past, China had a structure of highly -centralized planned economy. With deepening restructuring toward the socialist market economy and progress in the development of democratic politics, there was gradual lifting of the former improper restrictions, visible and invisible, on people's freedom in choice of occupation, mobility, enterprise, investment, information, travel, faith and lifestyles. This has brought extensive and profound changes never seen before in China's history. On the one hand, the enthusiasm of the work force in both city and countryside has been set free. In particular, hundreds of millions of farmers are now able to leave their old villages and move into towns and cities, especially in the coastal areas, and tens of millions of intellectuals are now able to bring their talent and creativity into full play. On the other hand, the massive assets owned by the state can now be revitalized, the private capital pool in the amount of trillions of Yuan can take shape, and more than 500 billion US dollars worth of overseas capital can flow in. This combination of capital and labor results in a drama of industrialization and urbanization of a size unprecedented in human history being staged on the 9.6 million square kilometers of land called China. Here lies the secret of the 9.4% annual growth rate that China's economy has been able to attain in the past 25 years.

The tremendous wealth created by China in the past quarter of a century has not only enabled our 1.3 billion countrymen to meet their basic needs for food, clothing and shelter, and basically realize a well-off standard of living, but also contributed to world development. China owes all this progress to the policy of reform and opening-up and, in the final analysis, to the freedom-inspired creativity of the Chinese people.

It has become so clear to me that at the current stage China has an abundant supply of labor in proportion to her limited natural resources and short capital. If no effective measures are taken to protect the fundamental rights of our massive labor force, and in particular the farmer - workers coming to the cities, they may end up in a miserable plight as described in the novels

by Charles Dickens and Theodore Dreiser. Without effective protection of the citizens' right to property, it will be difficult to attract and accumulate valuable capital.

Therefore, the Chinese Government is committed to protecting (1) the fundamental rights of all workers and (2) the right to property, both public and private. This has been explicitly provided for in China's law and put into practice.

China's reform and opening-up aims at promoting human rights in China. The two are mutually dependent and reinforcing. Reform and opening-up creates conditions for the advancement of human rights, and the latter invigorates the former. If one separates the two and thinks that China only goes after economic growth and ignores the protection of human rights, such a view does not square with the facts. Just as your former President Franklin Roosevelt said, "True individual freedom cannot exist without economic security and independence," and "Necessitous men are not free men."

I am not suggesting that China's human rights situation is impeccable. The Chinese Government has all along been making earnest efforts to correct the malpractices and negative factors of one kind or another in the human rights field. It is extremely important and difficult in China to combine development, reform and stability. Seeing is believing. If our friends come to China and see for themselves, they will be able to judge objectively and appreciate the progress made there in human rights and the Chinese Government's hard work in upholding human rights since the beginning of reform and opening-up.

China is a large developing country. It is neither proper nor possible for us to rely on foreign countries for development. We must, and we can only, rely on our own efforts. In other words, while opening still wider to the outside world, we must more fully and more consciously depend on our own structural innovation, on constantly expanding the domestic market, on converting the huge savings of the citizens into investment, and on improving the quality of the population and scientific and technological progress to solve the problems of resources and the environment. Here lies the essence of China's road of peaceful rise and development.

Of course, China is still a developing country. There is an obvious gap between its urban and rural areas and between its eastern and western regions. If you travel to the coastal cities in China's southeast, you will see modern sights of skyscrapers, busy traffic and brightly lit streets. But in rural China, especially in the central and western rural parts, there are still many backward places. In the poor and remote mountain villages, folks still use manual labor and animals to till the land. They live in houses made of sun-dried mud bricks. In times of severe drought, there will be scarcity of drinking water for people and animals. A Chinese poet-magistrate of the 18th century wrote:

The rustling of bamboo outside my door.

Sounds like the moaning of the needy poor.

As China's Premier, I am often torn with anxiety and unable to eat or sleep with ease when I think of the fact that there are still 30 million farmers lacking food and clothing, 23 million city-dwellers living on subsistence allowances and 60 million disabled and handicapped

people in need of social security aid. For China to reach the level of the developed countries, it will still take the sustained hard work of several generations, a dozen generations or even dozens of generations.

China tomorrow will continue to be a major country that loves peace and has a great deal to look forward to.

Peace-loving has been a time-honored quality of the Chinese nation. The First Emperor of Qin Dynasty commanded the building of the Great Wall two thousand years ago for defensive purposes. The Tang Dynasty opened up the Silk Road one thousand years ago in order to sell silk, tea and porcelain to other parts of the world. Five hundred years ago Zheng He, the famous diplomat-navigator of the Ming Dynasty, led seven maritime expeditions to seek friendly ties with other countries, taking along China's exquisite products, advanced farming and handicraft skills. The great Russian writer Leo Tolstoy was right when he called the Chinese nation "the oldest and largest nation" and "the most peace-loving nation in the world".

As the modern times began, the ignorance, corruption and self-imposed seclusion of the feudal dynasties led China to prolonged social stagnation, declining national strength and repeated invasions by the foreign powers. Despite compounded disasters and humiliation, the Chinese nation never gave up and managed to emerge from each setback stronger than before. A nation learns a lot more in times of disaster and setback than in normal times.

Now, China has laid down her three-step strategy toward modernization. From now to 2020, China will complete the building of a well-off society in an all-round way. By 2049, the year the People's Republic will celebrate its centenary, we will have reached the level of a medium-developed country. We have no illusions but believe that on our way forward, we shall encounter many foreseeable and unpredictable difficulties and face all kinds of tough challenges. We cannot afford to lose such a sense of crisis. Of course, the Chinese Government and people are confident enough to overcome all the difficulties and achieve our ambitious goals through our vigorous efforts. This is because:

- The overriding trend of the present-day world is towards peace and development. China's development is blessed with a rare period of strategic opportunities. We are determined to secure a peaceful international environment and a stable domestic environment in which to concentrate on our own development and, with it, to help promote world peace and development.

- The socialism China adheres to is brimming with vigor and vitality. Socialism is like an ocean that takes in all the rivers and will never go dry. While planting our feet solidly on our national conditions, we will boldly press ahead with reform and opening-up and boldly absorb all fine achievements of human civilizations. There is no limit to the life and exuberance of a socialism that is good at self-adjustment and self-improvement.

- Twenty-five years of reform and opening-up has given China a considerable material accumulation, and her economy has gained a foothold in the world. The motivation of China's millions to pursue happiness and create wealth is an inexhaustible reservoir of drive for the country's modernization.

- The Chinese nation has rich and profound cultural reserves. "Harmony without uniformity" is a great idea put forth by ancient Chinese thinkers. It means harmony without sameness, and difference without conflict. Harmony entails co-existence and co-prosperity, while difference conduces to mutual complementation and mutual support. To approach and address issues from such a perspective will not only help enhance relations with friendly countries, but also serve to resolve contradictions in the international community.

Ladies and Gentlemen,

A deeper mutual understanding is a two-way process. I hope American young people will turn their eyes to China. I also trust our young people will turn their eyes more to the US.

The United States is a great country. Since the days of the early settlers, the Americans, with their toughness, frontier spirit, pragmatism, innovation, their respect for knowledge, admission of talents, their scientific tradition and rule of law, have forged the prosperity of their country. The composure, courage and readiness to help one another shown by the American people in face of the 9.11 terrorist attacks are truly admirable.

Entering the 21st century, mankind is confronted with more complicated economic and social problems. The cultural element will have a more important role to play in the new century. Different nations may speak different languages, but their hearts and feelings are interlinked. Different cultures present manifold features, yet they often share the same rational core elements that can always be passed on by people. The civilizations of different nations are all fruits of human wisdom and contribution to human progress; they call for mutual respect. Conflicts triggered by ignorance or prejudice are sometimes more dreadful than those caused by contradictory interests. We propose to seek common ground in the spirit of equality and tolerance, and carry on extensive inter-civilization dialogue and closer cultural exchanges.

In his poem, *Malvern Hill*, the famous American poet Herman Melville wrote:

"Wag the world how it will,

Leaves must be green in Spring."

The youth represents the future of the nation and the world. Faced with the bright prospect of China-US relations in the new century, I hope the young people of China and the US will join their hands more closely.

Ladies and Gentlemen,

Chinese forefathers formulated their goals as follows:

To ordain conscience for Heaven and Earth,
To secure life and fortune for the people,
To continue lost teachings for past sages,
To establish peace for all future generations.

Today, mankind is in the middle of a period of drastic social change. It would be a wise approach for all countries to carry forward their fine cultural heritages by tracing back their origin, passing on the essentials, learning from one another and breaking new grounds. My appeal is that we work together with our wisdom and strength for the progress and development of human civilization. Our success will do credit to our forbears and bring benefit to our posterity. In this way, our children and their children will be able to live in a more peaceful, more tranquil and more prosperous world. I am convinced that such an immensely bright and beautiful tomorrow will arrive!

Thank you.

2D: U.S.-China Relations

Testimony of James A. Kelly, Assistant Secretary for East Asian and Pacific Affairs before the Senate Foreign Relations Committee (SFRC), Washington, DC, 11 September, 2003

Good Morning. Thank you Mr. Chairman for the opportunity to address the SFRC on one of the most important bilateral relationships of the 21st century-- the U.S.-China relationship.

As the world's most populous country, with a huge and rapidly growing economy, and a permanent seat in the UNSC, China is well on its way to becoming a major force in global affairs. In some respects, it is already there; in others, it has aspirations to leadership that can complement -- or potentially conflict with -- our nation's objectives. Managing our relationship with this dynamic and evolving country and ensuring that the U.S. -China relationship is a force for peace, security, and prosperity is a task as critical as it is complicated.

Many have tried to sum up the United States' relationship with China in a catch phrase -- friend or enemy, good or bad, strategic competitor or strategic partner. Such characterizations are neither useful nor accurate. Our relationship with the P.R.C. and its 1.3 billion citizens is too complex, varied, and fast changing to be reduced to sound bites. And so today, avoiding broad generalizations and overly simplistic judgments, I want to give you specifics on where we stand on a whole range of issues with the P.R.C after the first 2 years of this Administration.

President Bush, Secretary Powell, and all of us in the administration have worked hard over the last two-and-a-half years to forge a candid, constructive, and cooperative relationship with China. In the spirit of dealing straightforwardly with our differences and building on common interests, the President has met with China's leader an unprecedented four times since taking office. He visited China twice in his first 13 months in office, hosted President Jiang Zemin in Crawford last October, and met the new Chinese President Hu Jintao in Evian, France this June.

While not minimizing the differences that remain over human rights, nonproliferation, and Taiwan, I can report to you that the administration's approach to China has resulted in a U.S. -China relationship that is, on some fronts, the best it has been in years. It is marked by complementary -- and sometimes common -- policies on a broad range of issues that are critical to U.S. national interests: the war on terrorism and critical regional security issues are just two examples.

Both China and America understand that what we need -- what is in both of our interests -- is a relationship that is pragmatic, based on mutual respect, and focused on furthering peace and stability in the world.

By pragmatic, I mean that we maintain and strengthen our core interests or values. Yes, we have real and important differences with China and we must continue to encourage China's evolution as a responsible global power that contributes to the solution of global problems and respects its international obligations in areas such as nonproliferation, trade, and human rights. Our goal is to develop a relationship with the P.R.C. that furthers bilateral cooperation on a range of critical issues while staying true to U.S. ideals and principles.

I was recently in Beijing for 6 -party talks aimed at the complete, verifiable, and irreversible termination of North Korea's nuclear programs. China played a critical role in getting the D.P.R.K. to the table and arranging the talks, and in letting Pyongyang know that North Korea's pursuit of nuclear weapons is not simply a bilateral issue between the U.S. and the D.P.R.K., but is a matter of great concern to its neighbors in the region.

It bears remembering that 50 years ago the U.S. and the P.R.C. were fighting on opposite sides of a conflict on the Korean Peninsula. Today, by contrast, we share a common goal in preventing North Korea's further development of weapons of mass destruction. China's appreciation of the need to bring North Korea back into compliance with its international commitments is significant indeed. As P.R.C. chair of the talks, Vice Foreign Minister Wang Yi, said at the conclusion of the talks, that China would continue to do its part to seek a peaceful settlement of the nuclear issue and a lasting peace in the Korean Peninsula. We will continue working with the Chinese and our other partners to find a peaceful, diplomatic solution to this complicated and difficult issue.

Today marks the 2 -year anniversary of the tragic attacks of September 11th. The swift Chinese condemnation of those attacks and the subsequent enhancing of our bilateral counterterrorism cooperation have shown that we stand united in our fight against those who wish ill to the United States, and the security and stability of the world. The P.R.C. voted in support of both UN Security Council resolutions after the September 11th attacks. Within two weeks of 9/11, we initiated a U.S. -China counterterrorism dialogue to improve practical cooperation, and have subsequently held two rounds of those talks and are looking toward a third round. China supported the coalition campaign in Afghanistan and pledged \$150 million -- a significant amount measured against China's historical foreign aid commitments -- to Afghan reconstruction following the defeat of the Taliban and our successes in disrupting and setting back al Qaeda. This July, China joined the Container Security Initiative, enabling joint efforts to target and pre-screen cargo being shipped to the U.S. from Chinese ports. This means that Chinese and American customs officials will be working together on the ground in China to keep Americans safe at home.

We have also had a useful dialogue on Iraq. China voted for UN Resolution 1441 authorizing renewed weapons inspections in Iraq, and publicly decried Baghdad's attempts to play games with the UN Security Council. We are looking for ways to engage China further in reconstruction and stabilization efforts in Iraq.

Clearly, China and the U.S. do not have identical perspectives on world affairs. Taiwan is one example. Our abiding interest is in a peaceful resolution of cross -Strait differences; we continue to tell China clearly that its missile deployments across the Strait from Taiwan and refusal to renounce the use of force are fundamentally incompatible with a peaceful approach.

Let me assure you that this Administration takes seriously its obligations under the three U.S. - China communiqués and the Taiwan Relations Act. We will continue to adhere to our "one China" policy. We will also consider the sale of defense articles and services at an appropriate level to allow Taiwan to maintain its ability to defend itself.

However, we can say that on some of the most important international issues of the day, China and the United States have overlapping, if not identical, interests, and that the areas of shared interest and cooperation are growing in both scope and intensity.

I want to highlight today the profound importance of China's extraordinary, ongoing economic transformation. In a clear move away from a moribund communist economic system, China has implemented market-oriented reforms over the past two decades and unleashed individual initiative and entrepreneurship. While substantial development challenges remain, the result has been the largest reduction of poverty and one of the fastest increases in income levels ever seen. China's economic growth has reportedly averaged 9% since 1979, and is expected to remain strong in 2003 despite the setbacks of the SARS outbreak and a sluggish global economy.

China's economic relations with the United States and the world have also been transformed. In general, trade relations in East Asia are undergoing significant restructuring; for example, South Korean exports to China in July exceeded their exports to the U.S. These trends are likely to accelerate as intraregional trade in East Asia continues to expand.

Largely closed to foreign firms until 1980, China is now the world's fourth -largest trading nation, with total trade over \$600 billion. Trade between the U.S. and China has led the way, reaching more than \$148 billion in 2002. China is America's fourth -largest trading partner, sixth-largest export market, and fourth -largest source of imports. If current trends continue, China may pass Japan as our third -largest trading partner by the end of 2003. In the process, China has also become the world's largest recipient of FDI. U.S. firms have invested over \$25 billion in China, in key areas ranging from energy development to automotive and telecommunications technology. U.S. economic engagement with China can -- and should -- promote prosperity in both countries and throughout the world.

The United States is currently running a large bilateral trade deficit with China. We want to eliminate any and all unfair trade practices that contribute to this deficit and are working with China to open its markets further, insisting that our trade relationship be based on a shared commitment to open markets and to playing by the rules. Maintaining domestic support for open markets to China will become increasingly difficult without demonstrated support in China for open markets to U.S. goods and services. I should note some encouraging signs on that score: our exports to China are growing at a nearly 25% pace this year. Nevertheless, there is still room for improvement.

China's full and timely implementation of its WTO commitments is key to expanding market opportunities for U.S. firms in China and ultimately creating more jobs for American workers and farmers. We are working with our Chinese counterparts to hasten that process, and believe China's WTO implementation will accelerate China's economic reform through the creation of

a more rules-based and market-driven economy. While China has made great strides in reforming its economy and moving toward a market-based economy, lowering tariffs in the process, we still believe more needs to be done.

We have serious concerns with China's WTO compliance in certain areas -- particularly in agriculture, intellectual property rights, the services sector, and the cross-cutting issue of transparency -- and are insisting that the Chinese address these concerns. I want to emphasize that monitoring and enforcing China's implementation of its WTO commitments are top priorities for the U.S. Government. We also look forward to working with the P.R.C. on key economic issues in the current Doha Round, including a move to reduce agricultural subsidies, which inhibit the trade of goods in which the United States and China are both competitive.

I should also note that with the end of the textile quota system in 2004 the explosive growth of China's textile industry will pose increasing challenges, not simply to our domestic producers, but to the legion of developing economies that rely on textile exports. Navigating this process will require some sensitivity by China as others adjust.

I know that many members of Congress are concerned that China is deliberately maintaining an undervalued currency to gain an unfair advantage in trade. Treasury Secretary Snow, in his recent visit to Beijing, reiterated to Chinese officials our belief that the best international economic system is one based on free trade, free capital flows, and market-determined exchange rates. We are encouraging China to accelerate trade liberalization, permit the free flow of capital, and take steps to establish a floating exchange rate. I understand that you will have many questions about the currency issue and I defer to my colleagues at the Treasury to address this issue in more detail.

Some of our most serious disagreements with China today relate to the nature of China's political system and its internal policies. Although access to information from outside China and the imperatives of economic reform have made it increasingly difficult for the Communist Party to control social and political thought or activities, China remains a one-party system where the people who rule and who make the rules are by and large not accountable to the general population. The abuses that such a system invites are manifest in China's lack of respect for the rights of its citizens. Any individual or group the regime sees as threatening -- whether they be democracy activists, Falun Gong practitioners, Christians worshiping in home or unregistered churches, Tibetans, Muslim Uighurs, journalists investigating corruption, laid-off workers protesting, or even university students venting on the internet -- any of these people run the risk of detention or worse if they cross an ill-defined line.

Despite reform, China's legal system remains seriously flawed, and often provides little or no due process to those accused of crimes, particularly political crimes. There is simply no other way to put it -- ongoing gross violations of human rights are a serious impediment to better relations and undermine the goodwill generated by individual releases or other steps.

We have been particularly disappointed by backsliding on human rights this year, after a year of incremental, but still unprecedented, progress in 2002. It is important that China take steps to modernize its criminal and civil jurisprudence system and we intend to press these issues in our bilateral meetings with China.

There are also steps that need to be taken with regard to nonproliferation. The Chinese have expressed their desire to stem the proliferation of missiles and WMD, and we are heartened by recent steps taken in the right direction. Under Secretary for Arms Control and International Security John Bolton was recently in Beijing for the second round of a semi-annual security dialogue aimed at -- among other key issues -- halting the spread of these deadly weapons and technologies. Although China recently issued updated regulations on the export of chemical and biological agents, as well as missile-related export controls, full implementation and effective enforcement are still lacking. We continue to see disturbing cases of proliferation activities by certain Chinese firms. As you know, the Administration has not shied from sanctioning such activities, as required by U.S. law. China must realize that this kind of proliferation not only damages its relationship with the U.S., but also ultimately hurts its own interests and security.

Let me return to where I started. The U.S.-China relationship has come a long way since just a few years ago, and has moved beyond some rocky moments -- notably the accidental bombing of China's embassy in Belgrade, and the EP-3 crisis -- to begin to build a more mature relationship: one defined as much by our common efforts in support of shared interests as by our differences.

Contrast those difficult moments with where we are today -- four presidential meetings in 2 years, a common stand on some of the most pressing matters of the day, and a relationship that across a number of different dimensions is enormously robust.

I do not underestimate the challenges of our relations with China, and we must continue to speak frankly and forcefully on issues that concern us. A U.S.-China relationship that is candid, cooperative, and constructive, is both necessary and possible today. It is also in the interests of our mutual prosperity and peace and that of Asia-Pacific region and the world.

Thank you.