

# China's New Engagement in the International System

In the ring, but punching below its weight

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Nina Hachigian, with Winny Chen and Christopher Beddor November 2009





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# Introduction and summary

On September 22, Hu Jintao became the first Chinese president ever to address the United Nations General Assembly. President Hu spoke on one of the trickiest subjects for China's diplomats these days—global warming—surprising the world with his promise to tackle head-on China's burgeoning emissions of greenhouse gases, drawing widespread praise from a skeptical world public. Two days later, President Barack Obama became the first U.S. president to chair a session of the United Nations Security Council, where he pushed forward a landmark resolution on nuclear non-proliferation—the Council's first comprehensive action on nuclear issues in over a decade.

The symbolism of these dual appearances was not lost on anyone. China has entered the ring as a key international player, and the United States signaled its return to multilateralism after eight years of retrenchment under the Bush administration, making clear it will share the world stage but also ask other countries to do their part to make the world a safer place in the 21st century.

The Obama administration, however, faces a new kind of challenge: how to secure the most cooperation from China on global threats. Never before in history has a pivotal power emerged in such an interdependent world in which international institutions, rules and norms blanket every area of global interaction. Throughout history, the central preoccupation of rising powers was to amass enough military might to topple the reigning power of the day in a head-to-head confrontation, and the central concern of established powers was how to head this off. Today, though, the United States and China are both caught in the vortex of globalization where global warming, lethal viruses, economic imbalances and nuclear proliferation threaten the world's big powers, whether established or emerging.<sup>1</sup> The United States and China need to cooperate with each other and the rest of the world to successfully manage these complex and interrelated threats.

Fortunately, the United States has led the international community to develop a complex architecture of international institutions, initiatives, treaties, rules and norms of behavior to guide and foster cooperation among the community of nations.<sup>2</sup> With the rise of more potent transnational threats, these global arrangements are only becoming more important to solve global problems and promote security and prosperity. But how does China relate to this international architecture, and how will it do so in the 21st century?<sup>3</sup>

This report analyzes China's international engagement on four deadly transnational threats, each of which the Obama administration has prioritized on its international agenda: global warming, the global economic crisis, nuclear proliferation and lethal pandemics. Each of them is global in nature; they have already or possess the potential to affect millions of Americans, Chinese and all citizens of the world. Sixty years after its founding, the People's Republic of China is a critical, if not the most critical single other power when it comes to addressing these deadly transnational threats. China is the world's largest emitter of carbon, its fastest-growing major economy, a nuclear power and favorite breeding ground for many lethal viruses.

This report first seeks to gauge both the quantity and the quality of China's engagement in these four areas, exploring the current attitudes of Beijing toward the rules, norms, initiatives and institutions that organize international cooperation. In each area, we will attempt to address the following questions:

- Is China hostile or supportive of the international architecture?
- How deeply is it engaged in institutions and initiatives?
- Does it comply with international norms and rules?
- Does it seek to shape the rules to meet its own interests?
- How much does China assist in solving global problems?
- Does China work to strengthen the international institutions and rules?
- Are there signs that China could become a constructive, proactive global leader with the risk and cost that often entails?

When answering these questions, we will demonstrate that China is a legitimate heavy-weight in the international arena. Beijing is deeply engaged in international institutions and initiatives. The Chinese show up, they are serious, and they often contribute to policy discussions in a constructive manner. This is no minor milestone. Yet we also will demonstrate that China today is mostly punching under its weight when it comes to the quality of its engagement on these four transnational threats, though in several arenas China has taken bolder steps than in the past to solve global problems.

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## What's at stake for the United States

The depth and quality of China's engagement in addressing these four threats will greatly influence how they affect U.S. security and prosperity. Beijing holds weighty cards in each of these areas due to the size of its economy and population, its geography, relationships and history. The extent to which China contributes to solutions to global problems matters to ordinary Americans—from the frequency and severity hurricanes to the quality of jobs to the degree of protection they enjoy against pandemics and hostile nuclear states.

President Obama's foreign policy will be judged, in part, on whether it persuades China to play by the rules and use its leverage to strengthen the system and solve global problems. The Obama administration is explicitly framing the bilateral relationship in terms of a strategic collaboration—arguing that the United States and China are both global powers that must work together, and through the international system, to tackle transnational threats.<sup>4</sup>

What's more, the administration has dedicated itself to reinvigorating and reforming the key multilateral institutions—such as the International Monetary Fund and World Bank, the United Nations and World Health Organization—as well as reengaging on critical global treaties such as the Non-Proliferation Treaty and a new global warming treaty now under negotiation in the run up to the climate change conference in Copenhagen next month.<sup>5</sup> The future strength and efficacy of these international organizations and global treaty commitments may well mark the legacy of the Obama administration,<sup>6</sup> and China's decision to support these institutions and rules, shape them, ignore them, undermine them, or some of each, will determine their efficacy and relevance to a significant degree.

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## China's engagement party

What is China ready to do? As we will show, China's transformation on the international stage has been profound, moving from a hostile, aggressive “rogue” state outside the international system to a full and active participant in global institutions and a sometimes constructive player. Rarely, though, and only with reluctance, is China a leader on global problems.

Of course, when nations choose to engage in the international system they do not drop their national interests in favor of international ones. Instead, countries re-conceive their national interests, redefine the rules to meet their interests, or seek ways where their interests can be met within an established international architecture. This process is akin to, over time, coming to enjoy Thanksgiving dinner at the in-laws. Participation in global institutions and treaties can facilitate this socialization process.<sup>7</sup>

So the United States should have no doubt that, like all nations, China wants foremost to further its own national interests. The good news is that in the four priority areas of climate change, global economic stability, non-proliferation and pandemic response, China has increasingly sought to achieve its own aims within international frameworks and forums. China has not tried to destroy international institutions in these areas from within—steps that might have been expected looking back at the first four decades of the communist regime—but rather has chosen to engage with them, shape them, and master them in order to “obtain further resources, knowledge and abilities to continue evolving as a great power.”<sup>8</sup> China often champions the demands and expectations of the developing world in these global forums while also positioning itself as a developing nation that should not be expected to punch above its weight.

But what about the *quality* of China's engagement on these four transnational threats? This report will examine whether China is:

- Playing by the rules itself.
- Contributing to solutions on global problems.
- Strengthening the system.
- Showing leadership.

As we will demonstrate, the answers to these questions are far less straightforward. China's record on domestic measures to reduce its emissions is impressive, but without agreeing internationally to measurable and verifiable limits, a global deal will not happen. Amid a global financial and economic crisis, the size of China's stimulus was very helpful to the nascent recovery, and China's agreement to participate in the macroeconomic peer review process that the Group of 20 developed and developing nations agreed undertake earlier this year at their summit in Pittsburgh may be a positive step. Yet China's undervalued currency continues to help generate the economic imbalances that must be addressed to prevent future crises.

On the Korean peninsula, China is now genuinely dedicated to finding a solution to the problem of North Korea's nuclear program and is even beginning to enforce sanctions against its nominal ally. Rhetorically at least, China also is highly supportive of the non-proliferation regime including the Non-Proliferation Treaty and has greatly tightened up its export control mechanisms, thus cleaning up its own record significantly. But it took great U.S. pressure and escalating North Korean intransigence before China would take a real leadership role. And on Iran, China remains largely unsupportive of aggressive international efforts to address Iran's violations of the non-proliferation regime.

The one international arena where Beijing now demonstrates consistent leadership is battling pandemic diseases, dealing with outbreaks forcefully at home (sometimes too aggressively), convening countries to share ideas about influenza and coordinating with the World Health Organization. Especially since WHO is now led by a Chinese national from Hong Kong, China has an opportunity to take real leadership of a major transnational threat over the coming years.

In none of these areas, however, has China yet actively taken consistent and significant steps to improve the institutions and rules of the international system. And though it has come a very long way to its now deep engagement, China tends only to be proactive on global problems when its short- and medium-term domestic imperatives align with strong international expectations.

This report recommends that the Obama administration not demand or promote Chinese global leadership in general. The Chinese won't welcome that, and it is not clear that Washington should want to accelerate the coming of the day when China throws its weight

around in every area. Instead, the United States should encourage China toward specific sets of actions, including leadership, on specific issues, particularly when it comes to strengthening the system itself, recognizing that the United States does not have a great deal of leverage. Specifically, we recommend:

- In climate change negotiations, that China agree to measureable, reportable, verifiable targets for emissions and use its leverage to forge a consensus for an international climate framework at Copenhagen (U.S. legislation to reduce carbon is also necessary).
- In global economic initiatives, that China rebalance the global economy by continuing to move to a more domestic-led growth model and ensure the G-20 is a successful forum.
- In nuclear non-proliferation negotiations, that China become a constructive, proactive and dedicated player in the Iran and North Korea talks and in the push to enact, enforce, and strengthen the Comprehensive Nuclear Test Ban Treaty, the Non-Proliferation Treaty and the Fissile Material Cutoff Treaty.
- In pandemic prevention efforts, that China take the lead to reform WHO to make it a more effective organization and also produce vaccines that meet standards for use by U.N. agencies.

As American policymakers in the Obama administration and Congress attempt to maximize China's inclination to follow the rules, solve global problems, strengthen the system, and lead on particular initiatives, they should keep the following suggestions in mind:

- Be attuned to China's domestic priorities. Always consider how China's leaders will view a given international problem through their domestic lens.
- Don't let American exceptionalism justify Chinese exceptionalism. The more the United States acts in the global interest, and agrees to be bound by common international rules, the more pressure China will face to act likewise.
- Develop a comprehensive view about China and international institutions. The Obama administration should convene periodic reviews of China's behavior in international regimes, to gain insights across disciplines about what kinds of U.S. tactics and strategies have worked best.
- Take serious Chinese ideas seriously. When China chooses to float a proposal that could benefit the world community, whatever else its motives, U.S. officials at all levels should welcome the effort and attempt to shape its content, not ignore or reject it.
- Be prepared to push back. By returning to its role as a champion and reformer of international institutions and rules, as the Obama administration has done, the United States will ensure it has the clout and diplomatic capacity within institutions to push back on Chinese initiatives that harm U.S. interests.

- To reduce “free-ridership,” advocate for more “pay to play” and accountability mechanisms in international organizations.
- Put reform of international institutions on the U.S.-China bilateral agenda. When acting in concert, the United States and China could be a powerful force to push for reform.

China’s relationship to the international system is still evolving. As it grows, it will have more to lose if the international system is not prepared for potent transnational threats. As that reality begins to sink in, we can hope that China increasingly tackles difficult problems before they get worse and invests in the architectures of order that will assist in that challenge. That is the China the world needs.

# China: The new pivotal power of the 21st century

China is a fundamentally more powerful and more global actor than when George W. Bush took office. China's gross domestic product (the sum of a nation's goods and services) has grown to \$4 trillion today,<sup>9</sup> compared to \$1 trillion in 2000,<sup>10</sup> with its foreign currency reserves now totaling more than \$2 trillion,<sup>11</sup> compared to \$165 billion.<sup>12</sup> In 2000, the United States was the top trading partner for Japan, South Korea, India and Brazil. In 2009, China was number one for each.<sup>13</sup>

Beijing's national interests grow more global by the day. It imports 50 percent of its oil from the Middle East,<sup>14</sup> most traversing by sea through the Straits of Hormuz, around India, and through the Malacca Straits. Natural gas is imported through Russia and Central Asia,<sup>15</sup> and other raw commodities such as minerals, timber, copper, and diamonds essential for China's manufacturing sector come from Africa and Latin America.<sup>16</sup> China's total foreign trade in 2008 reached \$2.55 trillion, up from \$474 billion in 2000.<sup>17</sup>

China's new 'go global' strategy also encourages outward flows of foreign direct investment, with staggering results. In 2008, China directly invested some \$40 billion in countries around the world, nearly double the level a year earlier and increasing around forty-fold since 2000.<sup>18</sup> Yet China remains a major destination of foreign direct investment as well, pulling in more than \$100 billion in 2008.<sup>19</sup>

Slowly but surely, China is returning to an earlier historical role as a pivotal power on the world stage. China's leaders are coming to terms with China's major power status and displaying increasing confidence in their ability to protect their growing interests. "They do feel as if they are a new power while all the while explaining that they are still a developing nation," says a senior Obama administration official who requested anonymity in order to speak frankly about politically sensitive matters.<sup>20</sup> China expert Kenneth Lieberthal agrees: "China's leaders are asking: 'What responsibilities does being a major power entail? How much can we throw our weight around? How can we strike the right balance?' It's a very transitional period. They are muddling through, taking steps but without a clear agenda of where to go."<sup>21</sup>

Importantly, this may be a particularly pliable period in China's determination of its future international role. The Obama administration, then, should take full advantage of what might be a limited opportunity to encourage and shape China's choices about its global engagement in multilateral institutions and initiatives.

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## Making the global architecture work

China's support for architectures of international cooperation only matters as much as these structures do themselves. In an age of transnational threats, we argue they are crucial. By definition, transnational threats cross borders and, thus, governments need to act in concert to battle them effectively. Sometimes, this is a matter of one-on-one coordination, such as when U.S. and Mexican law enforcement officials cooperate to arrest drug lords. Yet the approach of individual countries collaborating will not work for threats such as climate change, economic crises, swine flu or nuclear proliferation, all of which touch practically every country in the world.<sup>22</sup> There needs to be a central "node" where countries can come together.<sup>23</sup>

International architectures of cooperation can take the form of periodic gatherings of countries' representatives, such as the newly consecrated G-20 developed and emerging economies, which in September 2009 became a permanent leaders' forum. Other organizations whose members are countries have a physical headquarters and staff, such as the International Monetary Fund and World Bank, World Health Organization and International Atomic Energy Agency. And then there are the initiatives to develop or reform treaties, the most important in the context of this report being the United Nations Framework Convention on Climate Change and the Nuclear Non-Proliferation Treaty.

Formal architectures such as these shift the burden of coordination, enforcement, funding and leadership from single countries, like the United States, onto a shared community, where bargaining is over *how* to share the burden of cooperation, not on whether cooperation should occur.<sup>24</sup> The vast majority of transnational threats require continuous attention, rather than one-shot, ad hoc responses. Through international organizations, states develop habits for working together and do not need to marshal new coalitions for each new threat.<sup>25</sup> Institutions incentivize cooperation because they attach a cost, in reputation or lost privileges, when countries break the accepted rules. Formal regimes can thus induce compliance even from countries hostile to leading powers. International organizations also spread costs.<sup>26</sup>

Further, international institutions create and sustain tools such as monitoring and alert systems, information sharing procedures, research-sharing facilities, specialists with highly technical knowledge, and institutionalized funding mechanisms, to name a few. And there is a final, particular reason that the United States should engage seriously with these kinds of international institutions. As the relative power of the United States diminishes around the world alongside the rise of new powers such as China, India and Brazil, incorporating them into the organizations the United States created and the world adopted can increase the shelf-life of the American ideals and ideas that they reflect.<sup>27</sup>

## The architect of the system: The United States and international organizations

The United States is the primary architect of today's international system, yet despite the obvious benefits it has been an ambivalent supporter of international institutions, norms and rules. The first collective security organization to deal directly with U.S. security interests was Woodrow Wilson's League of Nations, created in the aftermath of World War I.<sup>28</sup> Though a hard-won success abroad, it was rejected at home, due in no small part to concerns about sovereignty. President Wilson's fiercest opponent in the Senate, Henry Cabot Lodge, fumed, "I have always loved one flag and I cannot share that devotion [with] a mongrel banner created for a League."<sup>29</sup>

But if the destruction of WWI pushed America into isolation, the devastation of World War II pulled it toward more international cooperation and collaboration. Public support for a new system of international organizations steadily increased during the course of the war, as many Americans believed that the war could have been prevented if the United States had taken an active part in the League of Nations.<sup>30</sup> In advocating for the creation of the United Nations, President Franklin D. Roosevelt declared that "[w]e shall have to take the responsibility for world collaboration, or we shall have to bear the responsibility for another world conflict."<sup>31</sup>

Similarly, the founding of the so-called Bretton Woods multilateral financial institutions—the International Monetary Fund and World Bank—and new global trade arrangements such as the General Agreement on Tariffs and Trade, or GATT, the predecessor of today's World Trade Organization, put in place the global finance and trade arrangements to forestall the destructive mercantilist economic policies so prevalent between the two world wars. The United States benefited immensely from these global institutions, as did the rest of the world over the past six decades.

During the Cold War, diplomatic international organizations—especially the United Nations—became an arena for the United States and the Union of Soviet Socialist Republics to jockey for geopolitical supremacy. Among the American public, support for international institutions and multilateralism remained surprisingly high throughout this period.<sup>32</sup>

The end of the Cold War brought an unprecedented moment of U.S. supremacy. Presidents George H.W. Bush and William Clinton favored increasing U.S. participation in international institutions, and polls suggested that most Americans supported such multilateralism.<sup>33</sup> Yet both presidents faced stiff resistance from Congress. During the 1990s, for example, some senators vociferously opposed paying U.S. arrears to the United Nations. In a clear echo of the sovereignty issues that dogged President Wilson, Senator Jesse Helms of North Carolina argued that "the United Nations does not deserve continued American support. [It] is being transformed from an institution of sovereign nations into a quasi-sovereign entity in itself. That transformation represents an obvious threat to U.S. national interests."<sup>34</sup>

This deep suspicion, even disdain, of international institutions, captured the executive branch during the administration of George W. Bush.<sup>35</sup> This attitude stood in stark contrast to that of most Americans at the time, and now.<sup>36</sup> Polls indicate that a majority of Americans strongly support most international organizations, and favor ceding more international responsibility to such organizations, as well as to other nations.<sup>37</sup>

President Obama won the election of 2008 in part on the promise to return America to its post-war tradition of multilateralism and support for the international system. The results of this revival depend in part on how China decides to engage with international organizations and rules.

Never before has a potential great power like China emerged in such an interdependent world in which global rules and institutions blanket every area of international interaction. China has been adapting to this new reality. By the time America was shunning international institutions and other forms of multilateral cooperation in the first part of the new century during the presidency of George W. Bush, China had ramped up its engagement, even occasionally championing the very system that it once rejected. A long evolution brought China to this unlikely role.<sup>38</sup>

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From the founding of the People's Republic of China in 1949 until in the early 1970s, China was an angry, outside and ostracized critic of the international system. Most western powers—including the United States—did not recognize Beijing as the official government of China and established diplomatic relations instead with the Nationalist regime based in Taiwan, which also represented China at the United Nations and in many other international institutions. That rejection, which for Beijing echoed earlier periods of humiliation by the West and Japan, combined with China's tendency in the early Mao era to view international institutions such as the United Nations as Cold War “instruments of [capitalist] imperialism and hegemonism” meant that in its first decades, the PRC isolated itself from and was isolated by the burgeoning international community.<sup>39</sup>

China participated in some multilateral gatherings during this time, such as the Geneva Conference of 1954 and the 1955 Bandung Conference of Asian and African countries—out of which grew the Non-Aligned Movement—a solidarity among many developing countries which China continues to cultivate today. Yet without participation in the United Nations and Bretton Woods institutions, “China's foreign policy gradually shrank into a narrow and self-regarding preoccupation with ideological issues and Cold War competition, heavily colored by its paranoia about containment and encirclement,” observes Ann Kent, an expert in China's international engagement.<sup>40</sup>

That changed beginning in the 1970s. As China broke with the Soviet Union, and gradually opened to the United States through “ping-pong” diplomacy, the international community grew more receptive to China.<sup>41</sup> In 1971, over the objections of the United States—but at the same time that Henry Kissinger was Beijing meeting China's leaders—the United Nations voted to recognize the representatives of the Government of the People's Republic of China as “the only lawful representatives of China to the United Nations.”<sup>42</sup>

In the early 1970s, however, China was in no position to capitalize on this international diplomatic breakthrough. The country was in the last throes of the enormously self-destructive Cultural Revolution and the struggle for power in the wake of Mao's death in 1976. But Deng Xiaoping's opening of China's economy in 1978 ushered in a new period in which China joined many international institutions, including the International Monetary Fund and World Bank in 1980, and the International Atomic Energy Association in 1984.

These institutions provided China with a powerful platform to increase its technical knowledge, further its economic opening and advance its new diplomatic relations with other countries. The expulsion of Taiwan from these bodies, and the recognition of China's sovereignty, was high on China's agenda as it negotiated the terms of its acceptance into each. At the outset, China pursued an extremely cautious and modest role and did not show much interest in the norms or principles tied to these institutions.

After the Tiananmen massacre in 1989, China was eager to show itself a responsible international actor. China's multilateral activity deepened and displayed a more confident, flexible and sophisticated international player. Today, China is a member of 52 intergovernmental institutions,<sup>43</sup> is an active participant in many, has signed over 270 international treaties and enshrined a significant body of international law in its domestic legal code.<sup>44</sup> Importantly, China has developed real clout in many of these organizations by contributing to their missions and by carefully courting developing nations.

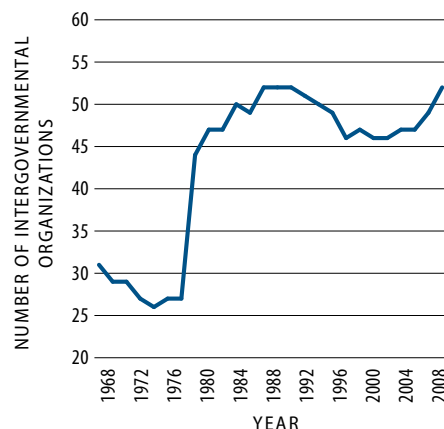
Some had predicted that as China's power grew it would flout international rules or try aggressively to rewrite them,<sup>45</sup> and, theoretically, we might expect that the more power China has, the more it would reject international rules, especially those it had no hand in creating.<sup>46</sup> But with notable exceptions—such as the suppression of the value of its currency and its deepening trade and investment relations with Iran—the more China has integrated into the international arena the more compliant it has become with international rules and norms.<sup>47</sup> It moved from primarily instrumentalist motivations for joining international organizations to deeper, more meaningful compliance through the process of participation.<sup>48</sup>

In short, recent years have seen an extraordinary evolution in how the Chinese interact with the world. "A decade ago, the Chinese profoundly resisted the idea that it had any responsibility for the global system. They hid behind their status as a developing country, claiming that problems were not of their making," explains Deputy Secretary of State James B. Steinberg. "China now sees itself as a core global player engaged in the issues of the day. A more engaged China is usually part of the solution, but," he warns, "sometimes part of the problem."<sup>49</sup>

And therein lies the dilemma. China is now fully engaged in the business of the international community, and, with exceptions, follows its rules in addition to shaping them, but in these four areas it does not often use its new-found engagement and clout either to solve global problems or to strengthen the system.<sup>50</sup>

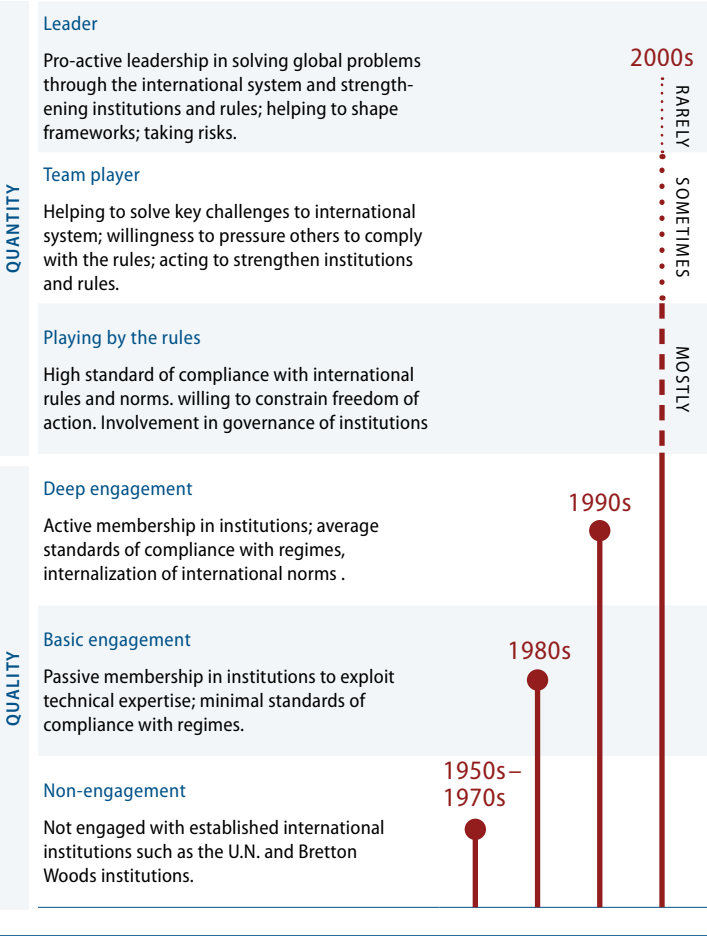
Beijing also supports regional multilateralism, including many initiatives that exclude the United States. After the 1997 East Asian financial crisis, China was instrumental in the creation of ASEAN+3 forum, which includes China, Japan, and South Korea in addition to

### China's increasing membership in intergovernmental organizations



Source: Yearbook of International Organizations.

China’s Increasing engagement in the international system



Source: Center for American Progress.

the 10 members of the Association of South East Asian Nations. China pioneered the first East Asia Summit in 2005, seen as a possible alternative to the U.S.-led Asia-Pacific Economic Cooperation, and in 2009 co-created the so-called BRIC summit of Brazil, Russia, India, and China.

China also co-founded the Shanghai Cooperation Organization in 2001 to facilitate political, military, and economic cooperation between China, Russia, and three Central Asian nations. SCO members conducted their first joint military exercise in 2003 and earlier this year agreed to set up a regional trade financing facility. Similarly, China strongly supports the so called Chiang Mai Initiative—a regional reserve pool of currencies—as a means to stabilize the short-term finances of the ASEAN + 3 states without involving the IMF and its stringent requirements.<sup>51</sup>

Some U.S. officials express concern that China may be shaping these regional organizations that exclude the United States as alternatives to global ones. That remains a possibility the United States should carefully monitor while also reengaging itself with regional organization to which it is a party, like APEC. Even so, these organizations that exclude the United States have not displayed a great capacity for decisive action thus far.

Sovereignty: Mind your own business, mostly

A recurring theme in Beijing’s willingness or lack thereof to participate in the international system concerns sovereignty. As a country with a history of being invaded and exploited by outside powers—and as it manages ongoing tensions surrounding the status of Taiwan, Tibet and Xinjiang and fends off criticism of its domestic record on governance and individual rights—China has guarded its sovereignty aggressively. The principles of “mutual respect for sovereignty and territorial integrity” as well as “non interference in each other’s internal affairs” have long been fundamental tenets of China’s foreign policy. China has vociferously defended a strong ideal of sovereignty, especially in the United Nations.

Over the years, though, China has shown increasing flexibility in its conception. Albeit still adamantly opposed to actions seen as interfering in the domestic affairs of other states, China now approaches matters on a case-by-case basis and recognizes the need to balance its principle of non-interference with its increasing global involvement. China, for example, was the first country to recognize the breakaway province of East Timor when it seceded from Indonesia in 2002, and earlier had gone so far as to support and participate in a U.N. peacekeeping mission there—despite the fact that the Timorese drive for independence was an example of the “splittism” that Beijing has argued undermines the international order.<sup>52</sup>

Furthermore, China put aside its deference to territorial integrity by supporting the U.N.’s assumption of both *de jure* and *de facto* sovereignty over East Timor, Kosovo and Haiti.<sup>53</sup> Unlike in the 1990-1991 Persian Gulf War—when China objected to the actions against Iraq on the grounds that it was a sovereign state—China did not issue such protests when the United States invaded Iraq in 2003.

Notably, too, China supported U.N. Resolution 1674 in 2006, which endorsed a 2005 World Summit Outcome Document that declared that the international community has a “responsibility to protect” populations from genocide, war crimes, ethnic cleansing and crimes against humanity,” even at the expense of states’ sovereignty.<sup>54</sup> Finally, Beijing was also willing to contravene its strong rhetoric about sovereignty when it voted earlier this year in favor of strong U.N. sanctions against North Korea and then enforced them.

China’s evolving attitude toward U.N. peacekeeping operations exemplify this trend. When it first joined the United Nations in 1971, China objected to the whole notion of peacekeeping as meddling in the internal affairs of a state. However, China has since then softened this position and has deployed more than 10,000 personnel on 22 peacekeeping missions in the past 20 years, with the majority deploying since 2003.<sup>55</sup> Today, China has more than 2,000 active peacekeepers serving in 10 U.N. missions, making it the largest provider of peacekeepers among the five permanent members of the U.N. Security Council.<sup>56</sup>

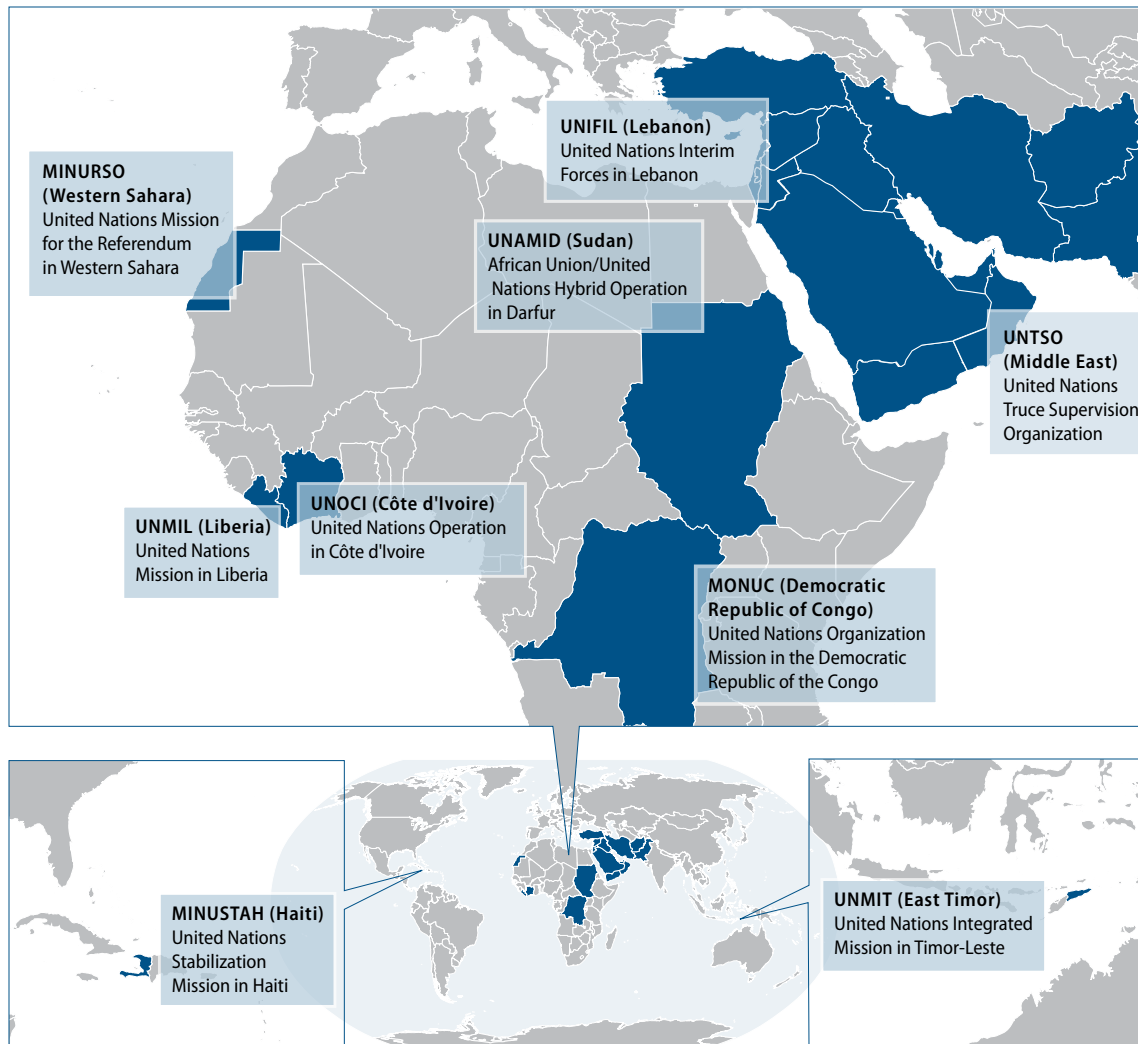
According to a forthcoming report, Chinese peacekeepers are rated among the most professional, well-trained, effective and disciplined contingents in U.N. peacekeeping operations, and they are increasingly involved in mission leadership.<sup>57</sup> In the past, China has sent its personnel to areas of geopolitical interest such as Sudan, as opposed to where the need is greatest, but that appears to be changing, and Beijing is now increasingly willing to put its peacekeepers in potentially dangerous or politically sensitive missions.<sup>58</sup>

Part of the reason for China’s slow shift on sovereignty is the recognition that the international community cannot address states’ illegal or dangerous conduct that also harms China, like North Korea’s nuclear program, if the world community accords their sovereignty too much deference. In addition, as China’s power grows, its original

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reflexive concern about outside interference with its own internal affairs has diminished somewhat. Beijing is increasingly confident of its ability to resist pressure from the international community and extract a price from those who contravene its wishes on Tibet, Xinjian and Taiwan and human rights. In short, while China still voices support for a strong ideal of sovereignty, its actual approach is more flexible.

## Chinese Peacekeeping Missions around the World



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## What's in it for China?

What motivates China to engage with the international system? The Chinese Communist Party seeks to extend its political legitimacy and longevity by continuing to deliver strong economic growth and improved standards of living to its people. Engagement with the international system helps further this goal in several ways. Participation in a wide variety of economic institutions, such as World Trade Organization and the International Monetary Fund, helps to solidify China's domestic economic reforms, providing China with access to more international capital, promote its booming trade with the rest of the world and give China a voice in the global economy.

In addition, a central foreign policy goal for China for decades has been to maintain a stable security environment outside of China to allow for continued development and prosperity within.<sup>59</sup> International organizations mediate disputes among countries. And China's security challenges, just like those of the United States and others, have shifted from the traditional to more diverse, transnational threats involving fragile states and non-state actors that only cooperation can address.<sup>60</sup>

Further, China's leaders today acknowledge that membership of international organizations also "enhances their country's power," and they look to international institutions to "confer prestige, status and international and domestic legitimacy."<sup>61</sup> International institutions provide "effective theatres-in-the-round for China to demonstrate its developing greatness."<sup>62</sup> In addition, China uses regional and global multilateral forums to reassure its neighbors about its own "peaceful development" and to demonstrate that it is a "cooperative and responsible" player.<sup>63</sup>

China's leaders acknowledge that the country has been a beneficiary of the international system and economic globalization, and are beginning to feel an obligation to take responsibility in international affairs, the initial goal of checking American power having been superseded.<sup>64</sup> In that context, China has found that activities such as peacekeeping are a highly visible and effective way to meet its obligations to the United Nations and further its multilateral agenda. China also uses its engagement with international regimes to constrain Taiwan's international space.

In the next section of this paper, we will examine specifically how China's evolving relationship with global institutions plays out today in the realms of global warming, economic crises, nuclear proliferation and pandemics.

## China and the U.N. Security Council

When the U.N. Security Council was established at the end of World War II, permanent seats went to the victors of the war—the United States, Great Britain, France, the Soviet Union and the Republic of China, which would shortly flee to Taiwan in the wake of the Chinese communist victory on the mainland in 1948. China joined the U.N. Security Council in 1971 after the General Assembly voted to oust Taiwan.

As in other international organizations, China's participation has followed a trajectory from unsure, ostracized outsider to fully engaged and increasingly confident insider. China voted with the other Permanent Members under 42 percent of the time in its first ten years as a permanent member of the Security Council.<sup>65</sup> It also regularly abstained from votes that involved Chapter VII of the U.N. Charter (sanctions) until the mid 1990s. Over time, however, China's voting record fell more in line with the other members, and its voting participation increased. By the late 1990s, China was voting with other members 91.5 percent of the time.<sup>66</sup>

China has used its veto sparingly, exercising it only six times, choosing usually to abstain when it disagreed. In contrast, Russia has vetoed 124 resolutions, the United States 82, Great Britain 32, and France 18.<sup>67</sup> A number of these cases, however, involve China's protection of egregious behavior. Blocking a 2007 censure of Burma's human rights record, for example, reflected China's concerns about its own record as well as its strategic interests with Burma, which include substantial trade, including weapons sales and purchases of resources like natural gas, border security, as well as access to ports and listening posts to monitor activity in critical sea lanes in the Indian Ocean.<sup>68</sup>

Similarly, China's veto of sanctions against Zimbabwe in 2008 reflected a desire to protect Robert Mugabe's murderous regime and ensure continued access to the nation's key minerals. Other cases, such as the veto against peacekeeping missions in Guatemala (1997) and Macedonia (1999) were driven by China's desire to isolate Taiwan; both countries maintained official relations with Taiwan.

But Beijing has also been willing to use its diplomatic leverage at the United Nations in ways that have been productive. Case in point: the Chinese supported, voted for, and enforced resolutions against North Korea's provocative nuclear weapons program. China was also instrumental in bringing pressure and diplomatic might to persuade the Sudanese government to assent to a U.N./African Union hybrid peacekeeping force. Beijing's intervention with Burma's military rulers also paved the way for the visit of Secretary General Ban Ki Moon after the devastating cyclone Nargis hit in 2008.

Over the years, China's diplomats have improved, with each generation more sophisticated and better suited to handle media and articulate China's broader goals.<sup>69</sup> Today the quality of the Chinese delegation at the United Nations draws praise from many quarters, with observers heralding the contrast between the rigid and closed diplomats of previous decades to the funny, fluent, worldly, incisive and open representatives of recent years, completely at ease in the international game.<sup>70</sup>

For the United Nations to continue to be effective as an institution, Security Council membership must evolve to reflect the changing nature of power in the world. But any current permanent member can block such reform, and China has. In a rare case of flexing its muscle, as soon as a reform proposal seemed to be gaining momentum in 2005, China stopped it in its tracks, knowing that its historic rival Japan, as the second-largest economy in the world and a major contributor to the United Nations, would be sure to secure a seat along with other contenders, Germany, India and Brazil. China was "apoplectic" about idea of Japanese seat, as one U.N. diplomat put it.<sup>71</sup>

The question of reform aside, China "sees its seat on U.N.SC not as a tool for wrecking the international system, but rather as providing an opportunity to play a positive role in shaping international consensus," says former Canadian Ambassador to the United Nations David Malone.<sup>72</sup> Ironically, the "dark days" of the last decade of U.S.-U.N. relations created space for Chinese to realize, says a senior U.N. official, that "this is not just a tool of the United States and maybe we can use it better than we have."<sup>73</sup>

# China and international cooperation on transnational threats

China's transformation on the international stage has been profound, from a hostile, aggressive "rogue" outside the international system to a full and active participant in global institutions and a sometimes constructive player, even reluctant leader, in global problem solving. We now examine more closely China's behavior and attitudes today toward international collaboration around four transnational threats that the Obama administration has prioritized— global warming, the global economic crisis, the proliferation of nuclear weapons, and pandemic disease.

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## Global warming

The Obama administration has made global warming a decided priority of American economic and security policy. If business proceeds as usual, scientists predict that our planet's median temperature will increase by 9.3 degrees Fahrenheit by 2100,<sup>74</sup> triggering an irreversible chain of environmental effects. Climate change directly affects U.S. national security.<sup>75</sup> It acts as a "threat multiplier" by exacerbating existing security threats and creating new tensions in volatile regions. The State Department Special Envoy for Climate Change Issues, Todd Stern, states that climate change has "risen up to the top of the U.S. national security set of priorities."<sup>76</sup>

Under the auspices of the United Nations Framework Convention on Climate Change, countries are now attempting to negotiate a successor treaty to the Kyoto Protocol, which was the first global agreement designed to limit greenhouse gas emissions, and which expires in 2012. Adopted in 1997, the Kyoto Protocol made a distinction between 37 industrialized, or so called "Annex I" countries, for which it set binding, specific targets for reducing greenhouse gas emissions, and the rest of the world—"non-Annex I" countries for which it gives incentives, but not obligations, to reduce emissions.<sup>77</sup>

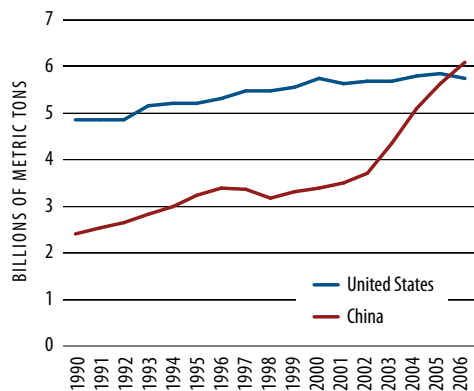
The Clinton administration signed the Protocol, but did not submit it to a hostile Congress for ratification. The treaty nevertheless entered into force in February 2005 because a sufficient number of other countries had ratified it. The Bush administration outright rejected the treaty.<sup>78</sup> China, a non-Annex I country, signed on to Kyoto in 1998, but its only obligation was to share the 'common responsibility' of all nations to reduce overall emissions.

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## China's climate on climate

China's emissions have grown along with its economic boom in recent decades. China is the world's biggest consumer of coal, accounting for 70 percent of its total energy consumption,<sup>79</sup> and adds the equivalent of two coal plants per week to its power grid.<sup>80</sup> From 1990 to 2007, China carbon emissions grew by 80 percent.<sup>81</sup> From 2001 to 2007, China energy consumption increased by as much as total consumption in all of Latin America.<sup>82</sup> China's projected emissions increase between 2007 and 2015 alone will be several times greater than the total global reductions envisioned by the Kyoto Protocol.<sup>83</sup>

China's Total Carbon Dioxide Emissions



Source: U.N. Millennium Development Goal Indicators (CDIAC)

Some analysts argue that even with substantial carbon emission reduction targets, China's emissions will almost double in the next twenty years from 2002 levels.<sup>84</sup> Thus, China is straddling the developed and developing worlds as it proceeds on the road to Copenhagen—its total carbon emissions are now the highest in the world due to its rapid industrialization, yet its per capita emissions are just over a quarter that of the United States.<sup>85</sup>

International studies predict a grim future for China's environment. According to the Climate Change 2007 report of the authoritative Intergovernmental Panel on Climate Change, China's northwest glacial area will shrink by 27 percent by 2100, causing a 20 percent to 40 percent loss of freshwater runoff per capita in the western Chinese provinces of Ningxia, Xinjiang, and Qinghai.<sup>86</sup> Some reports warn that the output of the country's four major grain crops could drop as much as 37

percent by 2050 due to the effects of climate change.<sup>87</sup> Arable land will shrink in the north, and in the south the reach of tropical diseases, especially dengue fever, will grow as global temperatures rise.<sup>88</sup> The rate of severe-weather cyclones will increase, and a 30-centimeter rise in sea levels will inundate some 81,000 square kilometers of China's coastal lowland, potentially displacing tens of millions of people.<sup>89</sup> Many species of plants and animals in China will go extinct.<sup>90</sup>

China's own official analyses make no attempt to sugar-coat the effects of climate change. In fact, these studies often use the U.N.'s Intergovernmental Panel on Climate Change projections as an authoritative source.<sup>91</sup> Thus, the problem isn't that Beijing's rulers do not "get it" when it comes to global warming. Many have backgrounds in engineering and science, and they believe in the overwhelming scientific consensus that the earth is warming due to human activity.

They are also well aware of the devastating consequences to China if global warming proceeds apace, having commissioned the before mentioned studies to explore those consequences. The polluted air they breathe, the increase in devastating weather events, and

the numerous protests about pollution are also constant reminders to China's leadership of the negative fallout of China's energy policies.<sup>92</sup> According to the Center for American Progress's Julian Wong, "the drought this year in March really was a wake-up call. Its scope was tremendous. Nine provinces were affected. Beijing had to deploy military resources to help with irrigation and other tasks. It was a direct strain on military resources."<sup>93</sup>

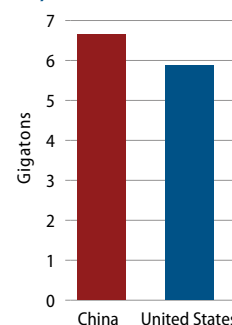
Environmental degradation is taking its toll on the economy as well. Some studies suggest that environmental degradation and pollution could cost the Chinese economy between 8 percent and 12 percent of GDP annually. The Vice Minister of China's Environmental Protection Agency predicted in 2005, "The [economic] miracle will end soon because the environment can no longer keep pace."<sup>94</sup> Though pollution and carbon emissions do not overlap completely, some ways of reducing the latter also improves the former.

In response to the grim reality, China is taking some ambitious steps toward reducing its energy intensity and increasing its renewable energy generation.<sup>95</sup> China's current Five-Year Plan, which maps out the direction of the country's economic development, places a heavy emphasis on environment and resource issues and sets ambitious goals, to reduce energy intensity by 20 percent of 2005 levels by 2010, which would in turn reduce carbon dioxide emissions by over 1 billion tons per year from a business-as-usual trajectory, beginning in 2010.<sup>96</sup> (In comparison, the European Union's targets under the Kyoto Protocol translate to an annual absolute reduction of 300 million tons of carbon dioxide by the end of its compliance period in 2012.)<sup>97</sup> Another goal is a 10 percent decrease (from the 2005 level) of discharge of major pollutants by 2010.<sup>98</sup>

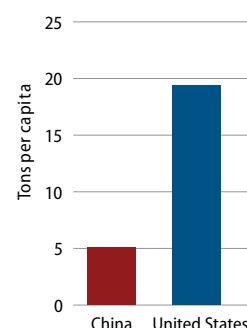
At the United Nations in September, President Hu highlighted China's vigorous efforts to develop renewable and nuclear energy. He affirmed that China will endeavor to increase the share of non-fossil fuels in primary energy consumption to around 15 percent by 2020.<sup>99</sup> In 2007, China invested \$12 billion, ranking second in the world—in terms of absolute dollar amount invested in renewable energy—just behind Germany.<sup>100</sup> About nine percent of China's recent \$586 billion economic stimulus is targeted toward sustainable development projects.

Beijing has embarked upon ambitious programs to improve the energy efficiency of top carbon offenders, subsidize energy-efficient light bulbs, set home appliance standards, and halve its buildings' emissions. Chinese coal-fired power plants have gotten consistently more efficient over the past 30 years.<sup>101</sup> The country is also shifting to a more sustainable energy infrastructure. It is investing in an extensive smart grid, with accompanying investments in wind, solar, hydropower and nuclear power. China has two-thirds of the world's global installed capacity of solar hot water and solar heating systems.<sup>102</sup> China has raised fuel economy standards, taxes on gas-guzzling vehicles, and increased its production of hybrid and electric cars and buses. It is undertaking the largest railway expansion in history (32 percent of which is electric), and the largest intra-city urban rail transit system

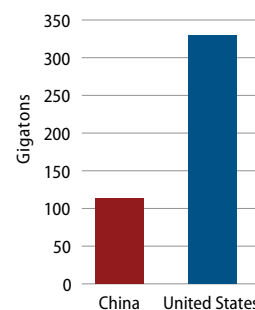
### Annual CO2 emissions (2007)



### Per capita CO2 emissions (2007)



### Total CO2 emissions (1990–2007)



Sources: Oak Ridge National Laboratory, Carbon Dioxide Information Analysis Center (CDIAC), 2007; the Netherlands Environmental Assessment Agency (MNP), 2007; Population Reference Bureau 2007 World Population Data Sheet

in the world. At his U.N. speech, President Hu also claimed that China will also increase forest coverage by 40 million hectares and forest stock volume by 1.3 billion cubic meters by 2020 (from 2005 levels).

Beijing is determined to have the best energy technology. “Technology is an almost an ideological driver that goes back to 1919,” says Deborah Seligsohn, the head of the World Resources Institute’s Beijing office. “The Chinese leadership really believes that there is a new technological future, and they don’t want to be left behind because they believe that whoever dominates technologies will dominate the 21st century.”<sup>103</sup>

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## International intransigence on global warming

Though it is highly active domestically, China is not a driving force behind a global deal that will address climate change. The Chinese have so far stopped short of turning their domestic plans and achievements into firm international obligations. Indeed, Beijing so far seems to want to see an agreement reached during the Copenhagen negotiations—but without having to commit China or other developing nations to measurable, reportable and verifiable emissions targets and at a politically untenable cost to developed nations. China, however, has been deeply engaged in the U.N. negotiations as well as at the meetings of the Major Economies Forum, a group of the 17 largest greenhouse gas emitters.

President Hu did announce in his speech to the U.N. General Assembly in September that China would endeavor to cut carbon dioxide emissions per unit GDP by a “notable” margin (from 2005 levels by 2020).<sup>104</sup> China’s willingness to shift from its current conservation goals, measured in terms of the amount of energy consumed, to those consistent with the language of international climate policy, carbon emissions, “is the clearest signal yet” that China is willing to take on global responsibilities.<sup>105</sup> Yet, Beijing has offered no specific numbers.

An additional stumbling block: China’s position is that developed countries must reduce their emissions by 25 percent to 40 percent below 1990 levels by 2020, and 80 percent to 95 percent by 2050—a goal, sadly, not even in the ballpark for developed nations to embrace. China also suggests that developed countries should contribute a whopping 0.5 percent to 1 percent of their gross domestic product toward helping developing nations (which include China) finance their reduction targets, including large technology transfers.<sup>106</sup> As Elizabeth Economy, the director of Asia Studies at the Council of Foreign Relations, concludes, China’s position boils down to, “We will play if the world pays.”<sup>107</sup>

What explains the seeming contradiction that China’s leaders understand the looming disaster of global warming and yet are not doing everything in their power to secure a global agreement needed to really address the problem? We suggest ten reasons for why they have adopted their current position:

- **It's the economy (and demography).** The imperative to grow the Chinese economy and safely manage its estimated 24 million unemployed<sup>108</sup> is an immediate mandate, requiring great energy resources, whereas the threat of global warming is more distant and will evolve more gradually. Moreover, the Chinese population is aging rapidly and could peak in size as early as 2020, which means that by 2035 China will be carrying an enormous population of elderly. This places great pressure on China's leaders to develop and grow the economy as quickly as possible.
- **Equity.** The Chinese argue that the West grew rich spewing carbon and that it is unfair to demand costly limitations from them at this stage in their development. Deborah Seligsohn explains: "Chinese scratch their heads. They know they live in tiny apartments, they turn off all lights, wear three layers of clothing indoors in the winter, and only run the air conditioner on the hottest days. Then these Americans come to town on jets, blast the air conditioning and lecture them about their energy use."<sup>109</sup> The Chinese also argue that when Western nations import industrial and manufactured products *en masse* from China rather than producing them domestically, they effectively outsource their carbon emissions to China.
- **Skepticism.** The American Clean Energy and Security Act that passed in the U.S. House of Representatives earlier this year falls far short of where China thinks developed economies need to be. The Chinese are also skeptical about whether the United States will ultimately make it law and then implement it in a rigorous way. They also point out that the bill uses "offsets," or credits for carbon that was not released but otherwise would have been, which China thinks is a politically expedient provision that could act as a major loophole.
- **Suspicion.** The Chinese believe that American demands for carbon reductions are motivated not by concern for the planet but by a desire to limit China's growth and keep it weak continues to find some currency in China.
- **Performance anxiety.** China has set ambitious domestic targets for itself, as noted above. Yet, the Chinese don't want to commit to them internationally because they want to be able to outperform whatever they promise. They have a strong political incentive to exceed all targets. Beijing is also concerned that if it doesn't make the targets, it won't get credit for trying.
- **Lagging self-perception.** As it has happened so quickly, some Chinese leaders have not come to terms with the size of China's impact. "It was like squeezing blood from a stone," explains a senior U.N. official, requesting anonymity, "to even get the Chinese to realize even implicitly, let alone explicitly that they are now the world's largest emitter."<sup>110</sup>

- **Uncertainty.** Climate targets being considered by the international community reach out to 2050. But China is likely to change between now and then in ways difficult to predict. The level of uncertainty is substantially higher than in most of the Annex 1 countries and may contribute to a reluctance to commit internationally to long-term goals.<sup>111</sup>
- **Tactics.** The Chinese may be taking a hard line now so they can appear to be making bold moves when they relax their position later. The participants at the Copenhagen conference need China as much as China needs Copenhagen.
- **Beijing's limited leverage.** While Beijing elites may prefer a more environmentally balanced growth structure, they sometimes can exert little control over provincial politicians who favor GDP growth at any cost.<sup>112</sup>
- **Wanting to keep its allies together.** China does not want to take actions that will separate it from its developing country caucus. China has worked hard to build relations with the developing world and does not want to be seen abandoning them but rather defending their interests in international arenas.

These 10 factors will weigh heavily on China's position as Copenhagen grows near. But international pressure and isolation, sometimes a motivating factor in China's actions, is growing intense. The Chinese are "determined not to be a target of criticism at Copenhagen," says Kenneth Leiberthal, director of the China program at the Brookings Institute.<sup>113</sup> In August, South Korea became the first non-Annex I country to publicly announce its intentions to adopt a measurable 2020 emissions cap, followed by Indonesia in September, and that puts pressure other non-Annex I countries to follow suit.<sup>114</sup> In addition, as stated earlier, China does want to go so far as to scuttle the possibility of an international treaty to tackle global warming.

China has played by the existing international rules on carbon emissions, though the existing regime demanded little of it, and it is deeply engaged in international climate negotiations at the United Nations and MEF. It is not dedicating itself to ensuring that an international deal is struck that can address global warming, however. In the coming weeks until Copenhagen and beyond, the closer China can come to committing itself internationally to specific, ambitious goals for emissions or carbon intensity reductions, and the more it uses its leverage to get others to do so, the better.

# The Global Economic Crisis

The global economy, while on the mend, is still suffering from the worst crisis since the Great Depression. Global GDP declined for the first time since World War II,<sup>115</sup> and the IMF predicts global trade to fall by 12 percent in 2009.<sup>116</sup> The IMF has extended loans to 17 countries on the verge of bankruptcy,<sup>117</sup> 100 million more people are suffering from chronic hunger—making 1 billion in total<sup>118</sup>—and the International Labor Organization predicts some 200 million workers in developing countries could be pushed into extreme poverty (living on less than a dollar a day).<sup>119</sup> Some developing countries are experiencing GDP contractions in the range of 10 percent to 20 percent, a common benchmark for a depression.<sup>120</sup>

When it came to quick action to address the global economic crisis, China delivered. In the fall of 2008, the United States and the International Monetary Fund called on all nations to enact strong stimulus measures to head off a deepening spiral.<sup>121</sup> Many Europeans doubted the wisdom of this course of action. German Chancellor Angela Merkel, for instance, argued that “the issue is not spending even more but to put in place a regulatory system to prevent the economic catastrophe... from being repeated.”<sup>122</sup> In contrast, China’s immediate response to the crisis set “the gold standard,” according to China economy expert at the Petersen Institute, Nicholas Lardy.<sup>123</sup>

China’s \$586 billion stimulus package, representing an estimated 3.2 percent of GDP,<sup>124</sup> was larger in relative terms than that of any other country including the United States.<sup>125</sup> It took those actions for the benefit of its own economy, of course, but they also were in line with what Washington thought was the correct approach. Critically, China was willing to discuss its stimulus plans with the United States and other countries.<sup>126</sup>

China’s actions seem to have paid off. In October 2009, the IMF reported that its indicators point to a strengthening recovery led by a rapid rebound in China, where “growth accelerated to an annual rate of 7.1 percent in the first half of the year, driven entirely by domestic demand.”<sup>127</sup> Employment levels in China also rose in the months of June, July, and August, reversing a sharp slump that started last year.<sup>128</sup>

The way in which some of the stimulus is allocated and the results so far also show China moving, though slowly, toward a more domestic-led growth model. Beijing is embarking on a major overhaul of its health care system designed to free up funds to spend on goods

and services that citizens now save for a rainy day.<sup>129</sup> Such a shift from an export-based growth strategy toward one that relies more on Chinese domestic demand is significant because over the long term it will reduce the global economic and fiscal imbalances that, along with an inadequate regulatory structure, contributed to the crisis. The vast sums of money coming into the United States from China allowed the U.S. Federal Reserve Board to keep interest rates low, which in turn fueled the U.S. housing bubble at the heart of the global economic meltdown in 2008. Those huge investments created an appetite for more risky investments promising higher rates of return.

Other elements of the Chinese stimulus package, however, also help the country's export sector, in a continuation of the pattern of relying on the indebted American consumer to drive growth.<sup>130</sup> These global trade and financial balances need to be corrected for the health of the global macroeconomy.

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### Is China iffy on IFI's? China in international economic and financial institutions

Global economic imbalances are a central item on the agenda of several international economic and financial institutions. China has been an active participant in these global economic institutions, shaping its own conduct significantly to comply with rules, and benefitting greatly. China entered the World Trade Organization in 2001,<sup>131</sup> capping two decades in which it joined a slew of international economic institutions, including the IMF, World Bank,<sup>132</sup> and the World Intellectual Property Organization. Just this year, the Chinese were admitted to the Financial Stability Board, the successor organization to the Financial Stability Forum, which coordinates among different national entities responsible for financial stability.<sup>133</sup> Since China recently became a member of the Bank for International Settlements, Central Bank Governor Zhou has traveled to Geneva every month, rarely missing a meeting.<sup>134</sup>

But it is at the IMF and Group of 20 where China's engagement has played a role in addressing the global financial crisis. The IMF's mission is to monitor the international financial system, lend to financially unstable countries in times of crisis, and provide technical economic expertise to developing countries. In the current recession, the IMF has bolstered international macroeconomic stability by offering loans to a slew of countries that might otherwise have gone bankrupt such as Pakistan, Iceland, and Hungary.

China got off to a rocky start in complying with IMF membership requirements. In 1980, its first year, IMF officials indirectly discovered that China had implemented a new exchange rate system that, because it was now an IMF member, required prior approval from the IMF. China flatly declared the decision an internal matter.<sup>135</sup> Then in 1995, Chinese authorities arrested a Chinese national and IMF employee while he was on a

trip to Beijing, in violation of IMF rules mandating diplomatic immunity for its officials. As late as 2000, Fund officials considered China’s lack of transparency about some of its economic data a “huge problem” that hampered IMF surveillance.<sup>136</sup>

Since then, however, China has come more in line with IMF norms and practices, adopting a variety of recommended economic policy prescriptions, such as making its current account convertible in 1996 (so that the renminbi, or RMB, could be freely exchanged for foreign currency for the purpose of purchasing goods and services), and following IMF guidance more consistently on, for example, producing economic statistics based on international methodologies. Though China hasn’t borrowed extensively from the IMF (relying instead on domestic savings) China has been the IMF’s largest recipient of economic advice and technical assistance—on everything from inheritance tax to banking sector reform to economic statistics methods.

In response to the IMF’s advice and policy recommendations, China has modified many of its economic policies over the years. Ironically, though, it was China’s decision *not* to comply with certain IMF recommendations in the late 1990s (for example, making its capital account convertible so investment funds could flow freely) that spared it from the worst damage of the Asian financial crisis.<sup>137</sup>

China’s continuing restrictions on its currency—which have contributed to its export boom since the Asian Crisis—are a particularly touchy subject at the IMF.<sup>138</sup> China pegs its currency to the dollar, which creates imbalances in the global economy, but its officials do not like this fact to be called to their attention (much like Americans do not appreciate being lectured about their deficit). Under heavy domestic political pressure to do something about the undervalued yuan, the Bush administration in the mid-2000s pushed the IMF to take a stronger role on currency misalignments, consistent with its original mandate, and succeeded in securing additional currency surveillance authority for the IMF.

Currency questions have affected the so-called “Article IV” consultations for China, in which IMF staff and member country officials discuss the macroeconomic policies that a country is pursuing and constitute the heart of a country’s relationship with the IMF. In 2004, in a milestone for transparency, China agreed for the first time to allow the release not only the short Public Information Notice that summarized the IMF’s findings, but also the much more detailed Staff Report on its economic policies—even though IMF rules do not require its publication.

But in 2006, following the Article IV consultation, the IMF labeled China’s currency “fundamentally misaligned.”<sup>147</sup> Beijing was so angered by this finding—in part because the term echoed the one used in proposed U.S. legislation for punishment of currency manipulation<sup>148</sup>—that it refused to allow the IMF to conduct Article IV reviews for two years. Earlier this year, China reached a *rapprochement* with the IMF and allowed the release of the Public Information Notice (but not the Staff Report) from the July 2009

China’s IMF Disclosures

Year	China allows the release of...
2000 <sup>139</sup>	Public Information Notice of IMF review (PIN)
2001 <sup>140</sup>	PIN
2002 <sup>141</sup>	PIN
2003 <sup>142</sup>	PIN
2004 <sup>143</sup>	PIN and Staff Report (for the first time)
2005 <sup>144</sup>	PIN and Staff Report
2006 <sup>145</sup>	PIN and Staff Report
2007	Nothing
2008	Nothing
2009 <sup>146</sup>	PIN

Chinese officials  
tend not to  
acknowledge  
the role of their  
currency policy in  
the economic crisis.

review.<sup>149</sup> In it, the IMF used different terminology, changing its characterization of the yuan to “substantially undervalued.”<sup>150</sup> In addition, last spring China pledged to extend the lending capacity of the IMF by \$50 billion<sup>151</sup> and made good on its promise in September, buying \$50 billion of the first IMF bonds.<sup>152</sup> Purchase of these bonds also reinforced China’s proposal for a global reserve currency, as discussed below.

Indeed, the economic crisis has emboldened China in its quest to shift the focus of the IMF away from its currency and toward financial sector surveillance. Beijing argues at every opportunity that while the IMF was “beating up” on China over the last years, it was failures in the American financial sector that brought on the huge crisis.<sup>153</sup> This is part of an ongoing criticism from Beijing and the developing world that the IMF coddles rich countries and lectures the developing world too much.<sup>154</sup>

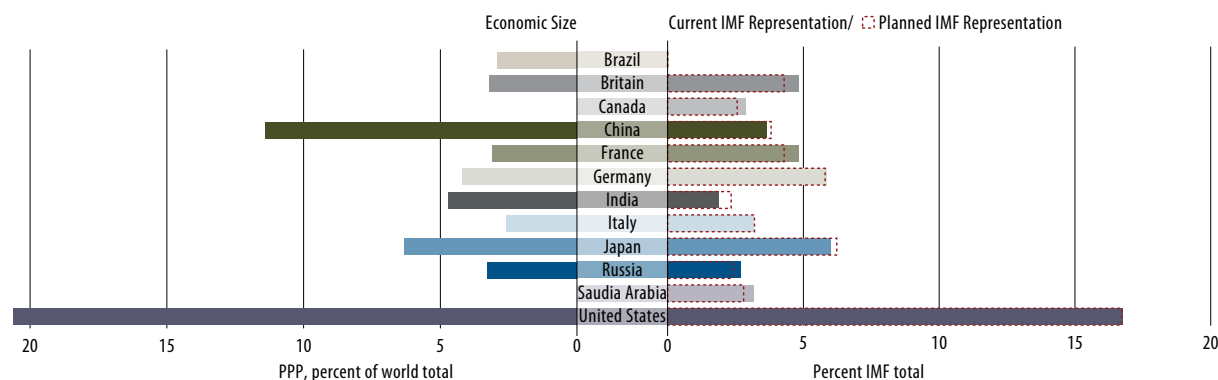
Chinese officials tend not to acknowledge the role of their currency policy, however, in the economic crisis. The huge amounts of foreign capital coming to the United States, driven by the currency peg, underpinned low U.S interest rates and sparked demand for higher and higher returns from riskier instruments among institutional investors worldwide. The United States continues to call on the IMF to take a stronger role in balancing global demand and has urged “greater candor and clarity on exchange rate issues.”<sup>155</sup>

Intriguingly, though, another way in which Beijing raised its voice in the currency debate was to float an idea that would actually expand the role and power of the IMF, if ever implemented. Several leading Chinese officials, including the head of China’s central bank Zhou Xiaochuan, governor of the People’s Bank of China, have called for the creation of a “super-sovereign” reserve global currency, one that, unlike the dollar, is not tied to any one country’s money supply.<sup>156</sup> Zhou’s proposal was to expand the use of “special drawing rights,” or SDRs—a kind of synthetic currency created by the IMF in the 1960s that is used as the IMF’s unit of accounting. SDRs are valued at a weighted basket of freely-exchanged currencies, updated every five years. Zhou has suggested countries could up their contributions to the IMF in exchange for greater access to a pool of SDRs.<sup>157</sup> (The RMB could not be one of these currencies, however, until it is freely exchangeable).

This idea, which is not remotely feasible in the short term, and which Chinese officials do not raise as a serious proposal in bilateral meetings with the United States, is primarily motivated by nervousness over Chinese exposure to the dollar. China purchases foreign reserves to hold down the value of the renminbi. As a result, China holds just under \$800 billion of U.S. debt,<sup>158</sup> roughly sixty-five percent of its total \$2 trillion in foreign reserves,<sup>159</sup> a huge asset the value of which is largely determined by U.S. actions.

With the U.S. deficit rising steadily through the Bush administration years and in the early months of the Obama administration due to stimulus spending, the Chinese are worried that inflation will erode the future value of its holdings. While complaining about the role of the dollar in global finance, though, China continues to buy more and more treasuries.

## Current and planned representation at the IMF vs. World GDP



Source: IMF

The idea of a global reserve currency has some high profile backers in the United States, because many believe the dollar as a reserve currency does represent a flaw in the international economic system. Joseph Stiglitz argues that the role of the dollar was one of the causes of the financial crisis, for reasons just discussed, because the foreign funds pouring in allowed the Fed to keep interest rates so low.<sup>160</sup> Fred Bergsten, director of the Peterson Institute for International Economics, has made similar arguments.<sup>161</sup>

From a political point of view, says Eswar Prasad, a former IMF official, the Chinese proposal on currency reform represents “a very strong pushback” by China in areas, such as currency policy, where they feel themselves being pressured by developed countries.<sup>162</sup> It also showcases an instance where China has successfully shaped a debate about the health of the international economic system—by tapping into resentment about the U.S. role in the financial crisis. One cannot surmise China’s ideas about the future role of the IMF from the global reserve proposal, however. It could all be a smokescreen for a critique of America, or it could represent a genuine desire for the IMF to become a powerful international institution. China is keeping its options open.

China is, though, a member of the Executive Board at the IMF, and its current representative is a skilled diplomat. China played an extremely quiet role until the last few years but is now a more active participant in questions of governance of the institution. An ongoing concern of China’s is that its percentage of “voting shares” at the IMF—the measure of a country’s decision-making power—has not kept pace with its growing economic weight. Based on a complex IMF formula, China’s current allocation is 3.66 percent of the total.<sup>163</sup> When the next round of reforms takes effect in 2010, it will be 3.81 percent. But China’s share of world GDP purchasing power parity is 11.4 percent. (The reforms will grant the United States slightly under 17 percent, which because the threshold for decision-making is 85 percent makes it the only country capable of wielding a veto.)

At the September G-20 Summit in Pittsburgh, world leaders backed a five percent shift in IMF quotas to give “dynamic emerging” markets and developing nations more voting shares.<sup>164</sup> But it is unclear how quickly this promise can be implemented; the pace of the reform process thus far has been glacial. The United States is not the obstacle. Washington agrees that China should be accorded more weight—and both agree that European representation, which accounts for 33 percent of voting shares, must decrease. As Treasury Secretary Timothy Geithner said in April, “[m]uch bolder action is required to realign quotas toward dynamic emerging market economies,” arguing that “minor adjustments around the edges are inadequate to an IMF for the 21st century.”<sup>165</sup> Obviously, European countries are reluctant to relinquish the power they have.

Leadership at the IMF (and the World Bank) is also an issue. Traditionally, the United States chooses an American to head the World Bank and the Europeans appoint one of their own to run the IMF. China has also joined broad consensus in emerging economies that the U.S.-EU duopoly on leadership is unfair, doesn’t accord with realities, and needs to be updated. So far, however, efforts to eliminate nationality as a criterion for new leaders have failed.<sup>166</sup>

Another area of tension between China and the IMF is development, especially in Africa. China often favors engaging the developing world on bilateral terms, usually involving commodities exports to China in exchange for generous development packages. But these “no-strings-attached” packages often undermine similar packages offered by the IMF, which include requirements for better governance.<sup>167</sup> China’s dealings also hamper IMF goals of loan forgiveness to indebted African countries.

Currently, the IMF and China are sparring over a controversial \$9 billion Chinese development plan in the Democratic Republic of Congo, which the IMF believes would add to the country’s existing \$11 billion sovereign debt load and complicate ongoing negotiations to settle this debt. China has characterized the IMF’s calls for renegotiation of the deal “blackmail,” arguing that the commercial arrangement would not increase Congo’s debt.<sup>168</sup>

As these debates make clear, a powerful China deeply engaged at the IMF will not always benefit the United States. The Chinese will work to quash IMF proposals they don’t like. Yet there is also evidence that increased Chinese engagement at the IMF will benefit the global economic system because it facilitates better global economic coordination and allows some surveillance of China’s macroeconomic decisions by the IMF, though China continues to resist some of this oversight.

Lardy, though, argues that there is no need to fear a Chinese coup. “The Chinese do not have a blueprint for the international economic system that they are trying to impose on the world,” he explains. “They are very much feeling their way as to the appropriate structures and are trying to get ideas. They don’t have a lot of clear, long-term strategic vision for the international financial system. No one does!”<sup>169</sup>

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## China and the Group of 20

The G-20 used to be a regular meeting of finance ministers from twenty some countries, but in the midst of the 2008 global economic crisis, President George W. Bush elevated the group to a heads-of-state gathering that met for the first time in Washington in November 2008. At their meeting in Pittsburgh in late September this year, leaders announced that they would make the G-20 the primary leadership forum for economic issues going forward. China is thus assured a seat at the big table.<sup>170</sup>

One U.S. official, requesting anonymity, reflects the new attitude when he remarked that “without China there, you don’t have a gathering of the world’s leaders.”<sup>171</sup> Indeed, until these first G-20 meetings of world leaders the only high-level, informal leadership group of countries was the Group of 8, made up of the industrialized democracies plus Russia. The Chinese have never been fans of the G-8 and never jumped at the chance to join the group, not wanting to be “cherry-picked” away from other developing countries.

The G-20 is another matter, and represents a considerable improvement from the Chinese perspective. The Chinese have been taking the G-20 summits extremely seriously, behaving much as the United States does in how they approach them with big teams, inter-agency issues, and lots of advanced preparation.

Moreover, according to inside accounts, China’s contribution to the policy discussions on the various issues the G-20 has debated, from financial regulations to banker salaries to oil subsidies, have been serious and constructive. Most hopeful is that in Pittsburgh, the G-20 countries agreed to submit their national economic plans to each other for “peer review.” This mutual assessment of economic policies could represent a great deal of exposure for the Chinese, so it is a quite positive sign of engagement that Beijing was willing to commit to this initiative, which will involve the IMF. Over time, the peer pressure applied by the 26 most powerful economies could help to reduce global imbalances exemplified by China’s huge current account surplus and the U.S. current account and budget deficits.

Of course, our analysis of China’s engagement with two multilateral economic institutions is a narrow window on China’s economic policies overall, many of which are designed to further only China’s own self-interest, often to the detriment of other actors. While it has acted as a strong engine of growth for global economy and has lifted hundreds of millions of its own citizens out of poverty, China’s insufficient attempts to stem intellectual property piracy, aggressive efforts at industrial espionage,<sup>172</sup> corrupt business practices, mercantilist tendencies on the procuring of energy resources, and its undervalued currency, as discussed, make it a less than responsible international economic actor. All of these practices do not comport with international standards and serve to weaken the system.

Without question, though, we can conclude that China is showing up to the dinner table set for them at the IMF and G-20. It is engaging seriously in policy discussions and increasingly playing by the rules. At the IMF, China has increasingly supported and com-

The Chinese have been taking the G-20 summits extremely seriously, behaving much as the United States does in how they approach them with big teams, interagency issues, and lots of advanced preparation.

plied with many IMF rules and norms—it has incorporated some IMF rules in domestic laws and policies, and it has borne the costs of participating by making increased contributions to the IMF.<sup>173</sup> As Lardy concludes, “The record is that in most cases, China plays the role of a status quo power. Their long-term pattern is one of more engagement.”<sup>174</sup>

China has not, however, tried to find ways to make the IMF work better overall as a watchdog for the global economy—if anything, it seems to want to weaken the IMF’s power on currency issues. And the G-20 is too young to assess China’s inclination to strengthen its capabilities, though its agreement to take part in the macroeconomic peer-review process is a good sign. China’s response to the economic crisis was excellent in terms of helping to solve an immediate global problem, no matter its domestic motives. Finally, when it comes to leadership, Lardy sees a “reluctance of the Chinese to assume a major [economic] global leadership role at this point.”<sup>175</sup> China is, though, shaping the debate in ideas, if not real-world solutions.

The Obama administration should encourage China to continue to coordinate its macroeconomic policies with other G-20 nations, move to a more domestic-led growth model that will address global imbalances and help forestall another crisis, offer concrete monetary as well as diplomatic support to international economic architectures, and help to forge consensus for new international economic rules that will prevent another crisis.

# Nuclear Proliferation

Nuclear proliferation is a central transnational threat of our time. As more states pursue nuclear programs, the greater the chances of an accident, of materials or weapons falling into the hands of extremists, or of a nuclear weapon being launched against another state. Of the four areas this report covers, the transformation of China's views on multilateral non-proliferation efforts over the past three decades is the most thorough and remarkable. It has become a believer in and vocal supporter of the international non-proliferation regime.

When it comes to its own proliferation activities, Beijing is increasingly playing by the rules. With a great deal of coaxing, it has also played an indispensable leadership role in the North Korean nuclear crisis. China is not, however, willing to impose tough sanctions against Iran for its violations of the international rules, instead fostering even deeper bilateral energy ties with the country. Nor has China actively sought to strengthen the nonproliferation architecture. What explains this dichotomy?

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## Becoming pro non-pro

In the 1960s and 1970s, Beijing vociferously upheld the right of every country to develop nuclear weapons, as a matter of sovereignty. Chairman Mao Zedong also believed in the inevitability of nuclear war.<sup>176</sup> Beijing officials were skeptical about nonproliferation regimes conceived and created without China's input, and often viewed them as a means to maintain the military superiority of the United States and the Soviet Union.<sup>177</sup>

In the 1980s, China also actively and directly aided some nations to achieve nuclear capabilities, most notably Pakistan because China hoped a nuclear Pakistan would counter rising Indian influence in South Asia.<sup>178</sup> In 1983, U.S. intelligence agencies reported that China had transferred a complete nuclear weapon design to Pakistan, along with enough weapons-grade uranium for two nuclear weapons. In 1986, China concluded a comprehensive nuclear cooperation agreement with Pakistan.<sup>179</sup> China also assisted Iran and North Korea with their nuclear programs in the 1980s.<sup>180</sup>

But as Mao's vision of an inevitable nuclear conflagration began to fade with new leadership, and as China sought access to state-of-the-art U.S. civilian nuclear technology (which the United States would not offer without improvements in China's proliferation record),

China's attitudes toward nuclear proliferation began to shift. China joined the Conference on Disarmament in 1979 in an attempt to bolster its credentials as a peace-loving country at a time when it was opening its economy to world trade.<sup>181</sup>

By the 1990s, China was complying formally with its international nonproliferation obligations, but also began to re-imagine its interests to coincide with international norms and accept the cost of ratifying and complying with nonproliferation treaties.<sup>182</sup> In March 1992, 24 years after the treaty was open for signature, and motivated by several factors, including the desire to burnish its reputation after the Tiananmen massacre, China agreed to sign the NPT.<sup>183</sup>

The double-deal that the NPT makes with signatories is that if non-nuclear weapons states agree not to acquire nuclear weapons, they are accorded the right to develop peaceful nuclear energy programs, though they must submit to inspections to verify the purely civilian nature of these efforts. Nuclear weapons states in turn agree to pursue “good faith” efforts toward disarmament and promise not to transfer nuclear technology to non-nuclear states. But the NPT regime has hardly been airtight. The NPT’s call for “good faith” has not guaranteed disarmament, and the line between civilian and military nuclear programs is often dangerously thin, as the case of Iran reveals. Numerous civilian nuclear facilities around the world also remain prone to nuclear theft.<sup>184</sup>

The International Atomic Energy Agency is charged with verifying compliance with the NPT and has developed a cadre of highly trained specialists who inspect nuclear facilities. China became a member of the IAEA in 1984, and in 1987, joined its board of governors. This is significant because membership means that China’s civilian nuclear facilities are subject to international oversight—a clear challenge to its strong conception of sovereignty. In 1999, China signed the IAEA Additional Protocol, which strengthens nuclear safeguards and its supervision.<sup>185</sup> At this year’s 53rd General Conference of the IAEA, China reaffirmed its support for making the Additional Protocol universal.<sup>186</sup>

In September 1996, China became the second country, after the United States, to sign the Comprehensive Test Ban Treaty—another case that demonstrates China’s willingness to bear the costs, including to its sovereignty, of the nonproliferation regime, though neither China nor the United States has ratified the treaty. After the end of the Cold War and following decades of campaigning by arms control advocates, the Conference on Disarmament took up efforts to draft a Comprehensive Test Ban Treaty. Negotiations started in 1993 and proceeded with few results until 1996, when Australia submitted a draft resolution to the United Nations, which was adopted on September 10. Two weeks later, the United Nations opened the resolution for signatures. Today, 178 states have signed, and 144 have ratified the treaty.

By signing the CTBT, China gave up the right to test its nuclear weapons and thus agreed, in essence, to refrain from further modernization of its arsenal—even though its weaponry was technologically behind those of other nuclear powers. During negotiations, China

dropped its insistence on a right to “peaceful nuclear explosions” and compromised with the United States on the IAEA’s inspection regime, moving off its hard-line position about what it would take to trigger an on-site inspection.<sup>187</sup> China expert Ian Johnston of Harvard University has called China’s participation in the CTBT the “first instance where [China] sacrificed potential military capabilities for the sake of formal multilateral arms control.”<sup>188</sup>

Besides the CTBT, China has signed on to a number of regional nonproliferation regimes, such as the Treaty of Bangkok (Southeast Asia), the Treaty of Tlatelolco (Latin America), the Treaty of Rarotonga (South Pacific), and the Treaty of Pelindaba (Africa).<sup>189</sup> Importantly, China joined the Nuclear Suppliers Group in 2004. As a NSG member, China must require that all recipients of its nuclear material and technology adopt regulations allowing the IAEA to inspect their nuclear facilities. Guidelines also prohibit the transfer of nuclear assistance to countries, like China’s one-time customer Pakistan, that have not signed the NPT.<sup>190</sup>

Beijing was also one of the original members and a strong supporter of the U.S.-Russia led “Global Initiative to Combat Nuclear Terrorism,”<sup>191</sup> and has joined the leadership body of that organization, which is charged with developing its work plan. In December 2007, China hosted representatives from 15 countries for a workshop on radiological emergency response and field exercises on detecting potential nuclear terrorist threats.<sup>192</sup> China has also signed onto the U.S.-led Container Security Initiative, allowing U.S. customs officials into their busiest ports of Shanghai, Shenzhen, and Hong Kong to screen for any radiological material smuggled into shipping containers.

China also has developed an extensive domestic system of export controls to enable compliance with its international obligations. It has created export control regimes that match or surpass the requirements of international regimes (most notably the Missile Technology Control Regime), and in some cases, domestically expanded the list of banned exports provided by international regimes. And China has gone beyond the requirements of nonproliferation regimes in its bilateral deals with the United States. In 1997, *The Washington Post* reported that Chinese Foreign Minister Qian Qichen, in a confidential letter to U.S. Secretary of State Madeleine Albright, pledged that China would provide no new nuclear assistance to Iran, even civilian in nature.<sup>193</sup> Around the same time, it cancelled the sale of a 300-megawatt reactor to Tehran. As China expert Bates Gill notes, China chose to agree to some of these commitments even though it was under no international obligation to do so.<sup>194</sup>

As China’s domestic export control laws and capacity improved, so did its record. State-sanctioned illegal nuclear proliferation has disappeared since the late 1990s. Today, China’s nuclear-related exports are far fewer and dual-use in nature.<sup>195</sup> An unclassified CIA report to Congress released in February 2000 suggests that China’s October 1997 pledge not to engage in any new nuclear cooperation with Iran “appears to be holding.”<sup>196</sup> China’s commitment to nuclear and missile nonproliferation regimes was one reason for a decrease in its share of world armament exports during the 1990s and 2000s.<sup>197</sup>

### China’s Participation in Nonproliferation Agreements and Organizations

Year	Organization
1952	Geneva Protocol
1973	Treaty of Tlateloco (Latin America and the Caribbean Nuclear Free Zone Treaty)
1980	Conference on Disarmament
1984	International Atomic Energy Agency
1984	Biological and Toxin Weapons Convention
1987	Treaty of Rarotonga (South Pacific Nuclear Free Zone Treaty)
1989	Convention on the Physical Protection of Nuclear Material
1992	Nuclear Non-Proliferation Treaty
1993	Chemical Weapons Convention
1996	Nuclear Safety Convention
1996	Comprehensive Test Ban Treaty Organization Preparatory Commission
1996	Treaty of Pelindaba (African Nuclear Weapon Free Zone Treaty)
1997	Organization for the Prohibition of Chemical Weapons
1997	Zangger Committee (Nuclear Exporters Committee)
1997	BTWC Confidence Building Measures
1999	Treaty of Bangkok (Southeast Asian Nuclear-Weapon-Free Zone Treaty)
2002	IAEA Additional Protocol
2002	Container Security Initiative
2004	Nuclear Suppliers Group
2004	Security Council resolution 1540 (WMD Non-Proliferation)
2006	Joint Spent Fuel Management Convention
2006	Global Initiative to Combat Nuclear Terrorism

Still, China’s export control regime on nuclear materials is not airtight (and its missile controls even less so). Reports surface of Chinese companies used as fronts for Iran to attempt to acquire nuclear materials.<sup>198</sup> To put this into context, however, companies from Germany have also been caught selling equipment for a nuclear reactor to Iran illegally.<sup>199</sup>

Today, China is a member of nearly every major nonproliferation organization and has signed every international treaty meant to stem proliferation of nuclear weapons, including those with intrusive inspection regimes. China has become an active member and even an advocate of the nonproliferation regime. This history is all the more remarkable given that China often acted against its own short-term economic and security interests by curbing its proliferation. It agreed to give up profitable sales of nuclear weapons technologies in the 1980s and 1990s at the same time it was already making drastic cuts to its military budget to free up resources for economic development and could have used the extra revenue.<sup>200</sup> Further, China could not offer this valuable technology as a strategic sweetener to friendly states any longer.

Gill argues that this shift in behavior has occurred for three reasons. First, and most significant, China now views nonproliferation as in its best interests. Helping to create a stable external security environment allows Beijing to concentrate on its domestic concerns. Second, China’s involvement in nonproliferation helps project a benign image to nations potentially anxious about its rise. Third, China’s involvement serves to mollify U.S. fears about potential conflict while constraining U.S. influence by sometimes lobbying for alternative positions in international negotiations.<sup>201</sup>

But just as importantly, as Evan Medeiros, now director for China at the National Security Council, has argued, “U.S. policy intervention played a significant and enduring role in fostering China’s increasing commitment to nonproliferation. America’s use of rewards and sanctions repeatedly led China to expand its commitments and comply

with them.”<sup>202</sup> American policymakers prioritized nonproliferation at the highest levels of the relationship, and U.S. policy became instrumental in many of China’s nonproliferation milestones, particularly during periods when Beijing sought improved U.S.-China relations for trade and stability, as well as access to U.S. technology. Medeiros also points to the increasing sophistication and expertise of China’s nonproliferation officials, who consolidate the norms of nonproliferation from the inside.

A Chinese security analyst from Fudan University, Dingli Shen, suggests that it was also China's concern about "face"—whether the international community perceived it to be responsible or not—that caused it to improve its record. Further, Shen argues that Beijing realized that though there was a short-term cost to giving up nuclear technology sales, the longer term costs of being denied the best reactor technology from the United States were higher. He also points out that in the 1990s, of the several issues that caused tension in the U.S.-China relationship, namely human rights, Taiwan, trade imbalances and proliferation, proliferation was the one issue on which Beijing could shift its position with relative ease in order to improve relations.<sup>203</sup>

The presidency of George W. Bush marked a setback in China's otherwise linear (if jagged) progress toward becoming a responsible international actor in the nonproliferation world, and highlights the repercussions of the U.S. failure to support international architecture on a key transnational threat. In 2002, President Bush withdrew from the 1972 Anti Ballistic Missile treaty with Russia, viewed by many as a "pillar of strategic stability."<sup>204</sup> U.S. officials discussed developing new types of nuclear weapons, including "bunker buster" bombs, and described in official documents circumstances under which the United States might use nuclear weapons first in a battle. The administration refused to engage on the idea of a treaty to ban an arms race in outer space, despite the fact that every country in the United Nations, save for the United States and Israel, voted in favor of negotiations. Moreover, the administration withheld critical funding from the Comprehensive Test Ban Treaty Organization, the international body responsible for preparing the CTBT's entry into force.<sup>205</sup>

These developments dismayed the Chinese and led them to conclude that the widely shared norms of nuclear nonproliferation, the assumption of interdependence, and even the fragile authority of international rules were threatened, "paradoxically from one of the original architects and strongest champions of the international legal system."<sup>206</sup> In a true role reversal, the Chinese became the rhetorical champions of the existing nonproliferation regime and criticized the United States for undermining it.

At the same time, China revisited some important nonproliferation decisions. Among other factors, news that the United States was rebuilding its nuclear stockpiles, not ratifying CTBT, and planning to conduct a nuclear deal with India (which seemed hypocritical to the Chinese, having been reprimanded about assisting another nonsignatory to the NPT, Pakistan), led China to reconsider its decades-long (but informal) commitment to the "no first use" of nuclear weapons, though it since recommitted to it formally for the first time in January 2009.<sup>207</sup> It also decided to bolster its own limited nuclear force, which increased by a staggering 25 percent between 2006 and 2008.<sup>208</sup> These repercussions of America's rejection of established norms demonstrate the importance of maintaining the nonproliferation regimes.<sup>209</sup>

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## Current challenges: North Korea and Iran

Today, North Korea and Iran's nuclear programs, which contravene their obligations under the NPT, pose the greatest challenge to the nonproliferation regime. A critical question is whether China will move beyond improving its own behavior and offering rhetorical support to helping the global community find solutions when other states do not comply with international rules. Let's first consider North Korea. China has, at many points, showed strong cooperation and even reluctant leadership on this global challenge. Prior to 2002, Chinese officials tended to view the crisis on the Korean peninsula as a matter solely between Pyongyang and Washington.<sup>210</sup> North Korea wasn't going to launch any attacks against its closest military ally, the reasoning went, and only the United States could provide the security assurances the North Koreans sought.

Then, in October 2002, U.S. negotiators confronted North Korea with evidence that it had been secretly engaged in a uranium enrichment program, violating the spirit, if not the specific language, of the 1994 Agreed Framework, under which North Korea had frozen its plutonium nuclear program and placed it under IAEA inspection. As the Agreed Framework began to break down in late 2002, China became increasingly concerned about Washington's North Korea policy, which was divided between those who wanted to weaken or replace the government in Pyongyang and those who favored negotiation. North Korea was one of the "axis of evil" countries in President Bush's State of the Union address in 2002, and the United States was on the verge of invading Iraq. China was concerned that Washington might do something rash, and, sharing a long border, worried about a refugee crisis that would destabilize its already economically troubled northeast.<sup>211</sup>

China's subsequent engagement was more about protecting Chinese national interests—and moderating possible unilateral American action—than trying to prevent an arms race.<sup>212</sup> The United States pressured Beijing non-stop to take a greater role. "It was largely U.S. pressure," says Dr. Dingli Shen.<sup>213</sup> "China got nudged into playing a leadership role," agrees China expert Ken Lieberthal. "They backed into it."

Thus, beginning in 2003 Beijing hosted all six meetings of the Six-Party Talks, which included North Korea, the United States, Japan, Russia, and South Korea, and played a substantial role in facilitating dialogue with, its diplomats shuttling among capital cities to try to forge consensus. It brought North Korea to the table many times, using diplomatic pressure and financial incentives.<sup>214</sup> As the talks progressed, China's role grew, along with its stake in the outcome. "The Chinese realized after they began their leadership role that, first, they were doing it pretty well, and, second, getting a lot of international kudos for it," says Lieberthal.<sup>215</sup>

Nevertheless, according to a U.S. diplomat deeply involved in the process, it took nearly constant U.S. pressure at every turn for China to act:

It looked as if the Chinese were active, up-front and totally engaged. The truth is more complex. We often ran up against a barrier with Beijing when it was time for us to step up and do more, to take risks at critical moments. When it came time for painful choices, they would do the right thing, but only after lots of cajoling and boxing them in. They proceeded very cautiously with a wet finger to the wind. We constantly pumped them up, talked up their leadership to other countries all over Asia, saying things like, “I’ll have to check with the Chinese chair on that.” We were often exasperated with Beijing. We knew they would deliver, but it would take a lot of work. Their involvement, though, was indispensable.<sup>216</sup>

By 2005 (and the fourth round of the Six-Party talks), the negotiations had nearly come to an impasse. At that meeting, China tabled five drafts of what would become the historic Joint Statement, in which North Korea agreed to renounce all its nuclear activities and rejoin the Nuclear Non-Proliferation Treaty. All parties signed on to the landmark Agreement.

But it was scuttled almost immediately. The U.S. Treasury indirectly forced Macau’s Banco Delta Asia to freeze around \$24 million in North Korean funds because of money laundering concerns, provoking a fierce reaction from Pyongyang. In reaction to North Korea’s leaving the talks, China, which supplies some 90 percent of North Korea’s oil, cut off shipments to the North during September 2006.<sup>217</sup> Relations deteriorated until a nadir in October 2006, when North Korea crossed the final “red line” for China and detonated a nuclear bomb. China joined the U.N. Security Council in passing Resolution 1718, which condemned the tests and imposed a series of economic and commercial sanctions on North Korea.

This marked a real departure as China had never before voted in the United Nations to impose sanctions on its longtime military ally. While it joined the international effort, however, it did not actively enforce the sanctions, preferring to seek progress through further diplomacy. North Korea’s second test seemed to mark another turning point for the Chinese.<sup>218</sup> China issued its strongest statements to date and joined the Security Council in passing Resolution 1874, encouraging states to search North Korean cargo and placing financial sanctions on the country.<sup>219</sup> In a new development, China began to enforce the sanctions, confiscating a shipment of vanadium and shutting down two bronze mines, which Chinese corporations were helping to develop in North Korea.<sup>220</sup>

Why the turnaround? Beijing is increasingly concerned about the potential for nuclear proliferation in its own backyard. Japan, South Korea, or even Taiwan seeking to acquire nuclear weapons to defend themselves from a nuclear North Korea would greatly complicate China’s security. A senior administration official sees “a significant deepening conver-

Beijing is increasingly concerned about the potential for nuclear proliferation in its own backyard.

gence [with the United States] and that denuclearization is a key part. The tests hardened Chinese attitudes. They are now quite unequivocal about how important it is for North Korea to give up their nukes. The Chinese are taking serious steps to implement U.N. security resolutions [sanctions], but they are not at the point where they will undermine the government.”<sup>221</sup>

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## Iran

China is more conflicted and less proactive when it comes to the nuclear ambitions of Iran, located far from its neighborhood. So far, it is unclear whether the revelations of September 2009 that Iran was building a covert nuclear facility inside an Iranian National Guard facility at Qom will alter China’s stance. Russia’s relatively more forward-leaning position however, may make it harder for China to revert to its default tactic on Iran—hiding behind Moscow’s refusals to act.

China is trying to have it both ways on Iran. Officially, the Chinese government supports the U.S. position that Iran has a right to peaceful, but not militarized, nuclear technology, and has agreed to work with the United States to encourage Iranian compliance.<sup>222</sup> China is a member of the “P-5+1” consisting of the five permanent members of the Security Council plus Germany, which forms the core working group for the international community’s response to Iran’s nuclear program.

China recognizes that a nuclear arms race in the Middle East does not serve its long-term interests, but Beijing’s actions are influenced by the fact that 15 percent of its imported oil comes from Iran. Beijing wields its power in the U.N. Security Council to water down sanctions on Iran proposed by the United States and Europe. In early September this year, Wu Jianmin, a former high-ranking Chinese diplomat explained, “the Chinese are by nature very reluctant to [impose] sanctions because past experience shows they do not work.”<sup>223</sup>

While the international community has been trying to increase the pressure on Tehran, China’s energy companies continue to sign multibillion dollar contracts with the regime.<sup>224</sup> The *Financial Times* also reported in September that Chinese companies began supplying gasoline to Iran and now provide “up to one-third of its imports” in a development that undermines U.S.-led efforts to shut off the supply of fuel on which its economy depends.<sup>225</sup>

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## The future of nonproliferation architecture

On September 24, 2009, as the first American president to chair a session of the U.N. Security Council, President Obama proposed and won unanimous approval for a resolution on nuclear nonproliferation and disarmament, urging strides toward a nuclear free world.<sup>226</sup> The resolution called for nuclear states to continue disarming, to ratify the

CTBT, and to agree to a treaty stemming the production of fissile materials called the Fissile Material Cutoff Treaty. Filling China's frequent role as the nuclear power that represents the interests of the nonnuclear developing world, President Hu Jintao pushed for a last-minute addition that was not included: "no first use" guarantees to nonnuclear-weapon states that nuclear weapons states will refrain from using nuclear weapons against them in a conflict.<sup>227</sup>

This nonbinding resolution was designed to kick-start a stalled process for improving the nonproliferation regime. China is unlikely to be much help with this goal, because, "China wants to be seen aligning with the expectations and aspirations of the majority of non-nuclear weapon states," in the words of Jing-dong Yuan, a nonproliferation expert at the Monterey Institute.

In this case, that means that in the upcoming NPT review conference in 2010, China will focus its rhetoric not on plugging holes in the NPT by, for example, tightening controls on civilian uses of nuclear fuel, but instead calling on the United States and Russia to take further steps toward reducing their stockpiles and reminding the nuclear powers that the right to fair access on civilian nuclear technologies is an important part of the bargain. Indeed, China has shown no inclination to help in pushing ahead for an international nuclear fuel bank, which would increase security but put additional limits on access. In an echo of its posture on climate, though it is a nuclear power itself, China suggests that more needs to be done on the disarmament side—ratification of the CTBT, a diminishing of the salience of nuclear weapons in defense policy, and a no first-use commitment by all nuclear powers.

"China can make these points," says Bates Gill, "because they've always had a 'no first-use' policy and a relatively small nuclear arsenal. From a moral standpoint, they can position themselves in the middle, with United States and Russia on one hand and developing world on the other. So they go into NPT looking pretty good." Here is another example where China makes "strategic use of its dual status as a developing state and rising power to exploit the advantages of each identity" in specific contexts.<sup>228</sup>

On the other hand, as in climate, China does not want to see the NPT collapse or turn into something weaker that would be less effective at preventing new countries from becoming nuclear, so it may play a quiet role ensuring that the review comes out with some conclusion that seems positive.<sup>229</sup>

At the IAEA, the Chinese are "omni-present," according to one U.S. official who requested anonymity. "They have a big mission with good experts and are thoroughly professional. But when it comes to votes, they are much more reticent, much less willing to take risks, to be counted. They sit back and don't take useful or strong positions." In fact, on every issue, the Chinese default setting is to make common cause with the nonaligned movement. The challenge for the United States and others is to convince the Chinese "to lighten up a little on the Cold War paradigm in Vienna," says the official.<sup>230</sup>

China has also not yet ratified the CTBT. This is a case—as climate was for so long—in which China justifies its inaction by reference to American inaction. If the United States, as one of the two nuclear powers whose arsenals together with Russia account for 95 percent of the world total, will not ratify CTBT, the Chinese argue, then why should they?<sup>231</sup> America’s ratification could prompt China’s taking the next step. U.S. ratification would also reinvigorate the 2010 NPT Review Conference and perhaps yield a better bargain between nuclear and nonnuclear states on issues like better securing civilian reactors.<sup>232</sup>

In one hopeful sign, this August, China’s foreign minister announced China’s support for launching negotiations on a fissile material cut-off treaty and committed China to taking an active part in these negotiations.<sup>233</sup> The treaty would extend verification measures to fissile material production facilities—for instance, enrichment and reprocessing—that are not currently subject to international monitoring. China historically would not proceed with these negotiations without a parallel progress on a treaty on weapons in space, but now seems to be de-linking the two. China has in the past worried that a treaty would limit its ability to expand the relatively small size of its nuclear arsenal relative to the United States and Russia.<sup>234</sup>

China has come a very long way on nuclear nonproliferation—especially when it comes to its own conduct—but has a long road yet to travel. As Medeiros observes, “Chinese leaders appear to have internalized the global norm against nuclear proliferation; that is, they have come to believe that nuclear proliferation contributes directly to the nation’s security interests.”<sup>235</sup>

Over the past 30 years but especially the last ten, China has bought into and largely complied with the many mandates of the nonproliferation groups it has joined and treaties that it has signed. With considerable coaxing, it took a lead on the Six-Party Talks with North Korea. It has not, however, exerted itself to strengthen the nonproliferation regime or used its leverage to curb Iran’s nuclear ambitions. In the future, China can strengthen the system by ratifying the CTBT, negotiating steadily on the FMCT, and trying in other ways to create momentum around a stronger NPT.

# Pandemics

The H1N1 flu is the first official global pandemic in 40 years and has spread to 168 countries and counting.<sup>236</sup> Fortunately, while it has spread like wildfire—so much so that the World Health Organization decided to stop tracking individual cases—the H1N1 virus is not highly lethal, killing on the order of one out of every 200 people that contract the disease.<sup>237</sup> Avian flu, or H5N1, is far more deadly but has not become transmissible from human to human. Unfortunately, each or both of these viruses could recombine or mutate and become an ever higher-order magnitude of threat.

The World Health Organization plays a central role in global health in general and pandemic disease in particular. An agency under the auspices of the United Nations, it has 195 members. Its director-general, elected in 2006 to a six-year term, is Dr. Margaret Chan, a doctor and Chinese national from Hong Kong. Dr. Chan's leadership is symbolic of China's relatively more proactive role when it comes to global health and specifically pandemics, as compared to other transnational threats. On this issue, Beijing has sought out the international spotlight, and far from shirking responsibility in recent months, it has, if anything, gone *too* far in its domestic measures when it comes to influenza containment.

On this issue, Beijing has sought out the international spotlight.

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## From SARS to swine flu

China's record could only improve after its disastrous handling of the SARS outbreak in 2003. Severe Acute Respiratory Syndrome originated in the crowded animal markets of southern China, where it made the leap from civet cats, a local delicacy.<sup>238</sup> The pandemic ended up costing 774 lives and some \$40 billion in lost revenue in Asia.<sup>239</sup> Beijing attempted a massive cover-up of the pandemic. It dramatically underreported SARS cases, censored media covering the spread of the virus, and denied WHO access to patients for months.<sup>240</sup> After eventually granting permission to WHO inspectors to tour hospitals, local officials removed SARS patients before their arrival—in extreme cases, putting them on ambulances which drove in circles until the inspectors had left.<sup>241</sup>

The international opprobrium, devastating financial impact, as well as the realization that the cover-up exacerbated the spread of SARS, had a pronounced effect. China's record on pandemics has since greatly improved, both in its domestic actions and on the depth of

its international engagement. For instance, in the case of the avian influenza virus H5N1, which first appeared in force in China in 2005,<sup>242</sup> Beijing launched an extensive effort to cull at least 22 million farmed birds<sup>243</sup> and vaccinate a further 14 *billion*.<sup>244</sup> Experts, however, warn there is still a huge gap between the central government's eagerness to respond and weak public health capacity at the local level, a similar dynamic as in energy policy, discussed earlier.<sup>245</sup>

On the international front, China, along with the European Commission and the World Bank, hosted the International Pledging Conference on Avian and Human Pandemic Influenza (the first international conference to address donor pledges) in January 2006—a global show of leadership which a U.S. State Department official involved in the conference called “remarkable.”<sup>246</sup> The conference attracted over 100 delegates and resulted in pledges for \$1.9 billion to combat the virus (surpassing its \$1.2 billion goal).<sup>247</sup> The conference also produced the Beijing Declaration, which laid the groundwork for further cooperation and commitments to combating pandemic influenza.<sup>248</sup>

Chinese officials also organized the first meeting of health ministers from the Association of South East Asian Nations to work with afflicted regional members (most notably Vietnam and Thailand) to coordinate preventative strategies like poultry vaccinations.<sup>249</sup> Beijing's initiatives drew widespread praise—WHO officials lauded China for “making improvements every month, even every day.”<sup>250</sup>

That said, between 2004 and 2007, Chinese researchers engaged in a series of spats with officials from WHO and the U.S. Center for Disease Control and Prevention, or CDC, about sharing their samples of avian influenza. WHO and CDC researchers complained that their Chinese counterparts were often reluctant to share samples of the influenza, and sometimes purposefully delayed their shipment.<sup>251</sup> The Chinese researchers, for their part, complained that their contributions were not cited in American scholarly reports, and that the process for shipping to the organizations was complicated and time-consuming.<sup>252</sup> Analysts also suspected that academic competition played a role, as Chinese laboratories raced to beat their international peers for a vaccine.<sup>253</sup>

But these disputes should not obscure the broader trend toward cooperation. As global health expert J. Stephen Morrison argues in a recent report, after the double impact of SARS and the avian flu, “internally... a normative shift occurred, in favor of greater openness, transparency, and sharing of data internationally, and deepening of technical partnerships with the U.S. Centers for Disease Control and Prevention and the World Health Organization.”<sup>254</sup>

China's early actions with regard to today's swine flu virus have been, if anything, outside international norms in the opposite direction—overly aggressive. Because battling a foreign virus is not a source of domestic embarrassment or culpability and, more impor-

tantly, because stopping a virus at the entry points of a country is simply easier logistically, China mounted an extremely aggressive campaign against the H1N1 virus in the spring and summer of 2009. While China has not released official figures, most estimates put the number of foreigners quarantined on arrival to be in the hundreds, including such high-profile figures as New Orleans Mayor Ray Nagin.<sup>255</sup> Most of these foreigners displayed no symptoms.<sup>256</sup>

One U.S. medical doctor reported being confined to his room in a run-down rural motel for a week (despite the fact that he and the other persons quarantined displayed no symptoms)<sup>257</sup>—practices the U.S. State Department confirmed were widespread.<sup>258</sup> WHO warned China that its control strategies were too resource-intensive and would be overwhelmed if the virus spreads.<sup>259</sup> China implemented mass vaccinations for swine flu in October, making it the first nation to start inoculating its population against the virus.<sup>260</sup> The Chinese government plans to produce 26 million doses of the H1N1 vaccine by the end of October and 65 million doses by the end of 2009.<sup>261</sup>

In terms of its international engagement, this past August, China hosted another major international conference on influenza to discuss swine flu.<sup>262</sup> Unfortunately, China's vaccines cannot be used to fill global needs because the regulatory scheme for its manufacturing system does not yet meet WHO standards so vaccines can be pre-approved for purchase by U.N. agencies such as UNICEF, which inoculates poor children in the developing world.

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## China at the World Health Organization

More broadly, the decision to run a candidate for WHO director-general was a major step for China, though Dr. Chan's election was "a breeze," because of the strengths of their candidate and China's extensive support among developing nations according to one U.S. official involved in public health who requested anonymity.<sup>263</sup> China has also been a member of the WHO's executive board. Its influence there, says the official, "should not be underestimated."<sup>264</sup>

China also has recently showed some flexibility on one of the most neuralgic issues to China's leaders—the status of Taiwan. Since 1997, Taiwan made 12 failed attempts to attend the United Nation's World Health Organization annual assembly as an observer.<sup>265</sup> Each was blocked by China, which argued that because membership in WHO is limited to sovereign states, an implicit U.N. recognition of Taiwan would infringe upon China's sovereignty. But when cross-strait relations ameliorated after the 2008 election of Taiwan president Ma Ying-jeou—whose party favors closer ties with China—Beijing moderated its stance. In April 2009, China allowed Taiwan to participate under the name "Chinese Taipei."<sup>266</sup> Analysts speculate that the move serves both to support President Ma politically and boost China's own international reputation during the H1N1 swine flu spread.

Why is China taking on a relatively high-profile role on global health? First it is an issue on which China's rulers perceive they are vulnerable domestically. The spread of a virulent flu could have severe economic consequences. Further, if Beijing is not seen as adequately responsive, there could be dangerous domestic political repercussions. As it has been the source of past viruses, like SARS, China also wants to avoid international blame for inaction.

Strategically, health is an area where Beijing's leadership is not threatening to status quo powers such as the United States. And, finally, it fits well with Beijing's push to garner political support from developing nations, particularly in Africa. "For the Chinese, everything is political," says one U.S. official experienced in global health.<sup>267</sup>

A 2008 report by the House of Lords found that WHO must undergo a number of reforms to be effective in the 21st century.<sup>268</sup> In light of the proliferation of actors in the global health sector—national governments, nongovernment organizations, international institutions, and foundations—it is more crucial now for WHO to step up its role as global leader, coordinator, standard setter, and overseer of global health initiatives. To do this, WHO must implement deep systemic reforms, including a fundamental overhaul of the relationship between headquarters and regions, a rebalancing of its entire budget (in particular, less earmarking by donor countries), as well as greater funding from donor countries. But the political will to take on these reforms is currently lacking, and China is not leading the charge.

## WHO: A primer

The World Health Organization serves as the directing and coordinating authority on international health. In addition to its high-profile role responding to pandemic outbreaks, it also works to eradicate diseases like polio, produces global health guidelines and standards, assists individual countries in addressing public health issues, and promotes and supports wide-ranging health research. Founded in 1948, it now employs over 8,000 health experts worldwide,<sup>269</sup> and has developed a global, structured network with offices in 147 countries, including six regional offices and headquarters in Geneva, where much of the decision making, planning, and bureaucracy are centralized. The efficacy and efficiency of the links between the central and regional offices, as well as the process of selecting regional directors have come under question.<sup>270</sup>

The World Health Assembly, made up of 193 member states, serves as the supreme decision-making body for WHO, determining the policies of the organization, supervising the financial policies, approving proposed

program budgets, and appointing the director-general, who heads WHO. Along with its governing responsibility, the WHA also elects the executive board—34 members "technically qualified in the field of health"—that is tasked with executing WHA policies and decisions, and advises and facilitates the work of the WHA.

The relatively meager WHO budget contains four broad categories: essential health interventions (response to epidemic alerts); health systems, policies, and products; determinants of health; and effective support for member states. In 2007, 70 percent (\$2.4 billion) of funding came from member states' voluntary contributions and 30 percent (\$915 million) from assessed contributions from member states.<sup>271</sup>

To become a member of WHO, a country must be a member of the United Nations and accept the WHO constitution. Non-U.N. member countries may be admitted via a simple majority vote of the World Health Assembly.

To sum up, China is acting aggressively at home and is deeply engaged in international pandemic response. It is now largely playing by the international rules for sharing flu samples and the like. It has shown a dedication to solving the challenges of pandemic disease by convening international conferences to discuss them. China has not made the strengthening of the WHO a priority, but it would highlight its fledgling leadership in this area and greatly aid the public health regime if it did.

# Chinese engagement and leadership

In each of the four areas discussed, global warming, the international economic crisis, nuclear proliferation, and pandemic disease, the trend lines show the *quantity* of China's engagement on an unmistakable upswing. China is becoming more deeply engaged with international architectures of order. China has moved from rejection of international institutions and to sustained, deep engagement. Beijing is quickly growing its cadre of trained experts and skilled diplomats, attending all meetings and increasingly voicing its opinions. The Chinese show up, they are serious, and they often contribute to policy discussions in a constructive manner.

In these four areas, questions about the quantity of Chinese engagement—whether China will engage with the international system and the degree of its engagement—are answered. China is engaging and engaging seriously. This is no minor milestone. China's committed participation supports the international system. Consider the alternative—a quarter of the world's population “outside the tent” where leverage to influence its decisions is much harder to muster.

But what about the *quality* of China's engagement on these four transnational threats? We examine four aspects of this question—whether China is playing by the rules itself, whether it is contributing to solutions on global problems, whether it is strengthening the system, and whether it is showing leadership.

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## Is China playing by the rules?

It is first important to recognize that China has not tried to radically alter or undermine current rules or institutions in these four areas. Rather, it has been mastering them to further its own interests.<sup>272</sup> China is increasingly playing by the rules, though its conduct varies across the four areas discussed. On global warming, it has complied with what rules there were up until now, though that is not saying much as the Kyoto protocol demanded little from non-Annex I countries. Over the decades, China has increasingly comported with IMF rules and guidance, though some major exceptions such as currency remain. China has unequivocally improved its own compliance with rules on nuclear nonproliferation. It now follows WHO guidance fairly consistently when it comes to multilateral cooperation on pandemic response.

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## Is China being a responsible stakeholder?

The next tier of consideration asks about China's willingness in these four areas to help solve global problems and to strengthen the international system itself. To use the popular terminology of former Deputy Secretary of State Robert Zoellick—who now leads the World Bank—the question is whether China is a “responsible stakeholder” that works to sustain the system.<sup>273</sup> But determining what conduct is responsible is a partly subjective exercise and begs the question, “compared to what or whom?” China's past conduct is one point of reference, but we can also look to where it could be and needs to be from the point of view of the power still most on the hook for leadership toward shared solutions—America.

Not everyone will agree that the United States is one to judge, of course. A high-level representative to the United States from another large, emerging economy opined, “this responsible stakeholder concept you have with China doesn't work. The rest of the world sees China as far more responsible than the United States. They didn't start a global financial crisis or a war [in Iraq] that killed hundreds of thousands of civilians.”<sup>274</sup>

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## Is China a global problem solver?

As to China's willingness to help address these four global threats, the record is decidedly mixed. Reducing its own gargantuan emissions will go a long way toward addressing global warming, and China's record on domestic measures is impressive. But without agreeing to measurable and verifiable limits on its emissions, a global deal that is needed to truly tackle the problem is not possible.

On the global economic crisis, the size of China's stimulus was very helpful to the nascent recovery. China's agreement to participate in the macroeconomic peer review process that the G-20 will undertake is also a positive step toward reducing global imbalances and putting the global economy on a firmer footing. Yet China's undervalued currency continues to be one of the factors that generates the imbalances.

With a great deal of persuasion, China genuinely dedicated itself to finding a solution to the problem of North Korea's nuclear program and has even enforced sanctions against its nominal ally. It is, rhetorically at least, highly supportive of the nonproliferation regime including the NPT and has greatly tightened up its export control mechanisms. But it is hindering international efforts to address Iran's violations of the nonproliferation regime.

Beijing is taking responsible steps—sometimes even too aggressive—on battling pandemic disease, dealing with outbreaks forcefully at home, convening countries to share ideas about influenza, and coordinating with the WHO.

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## Has it tried to strengthen the system?

China has not (yet) taken consistent and significant steps to improve the institutions and rules of the international system. China has stood in the way of reform at the U.N. Security Council. It participates fully in the U.N.-led climate talks, and the MEF, but is not throwing its weight into reaching a deal at Copenhagen that could form the future regime for climate.

These are early days for the G-20, but so far China's actions there are a bright spot, as it is participating in the more creative and forward-looking initiatives of this young institution. China is a member of the governance board of the IMF and did offer support to the IMF at a time of need by buying bonds but, if anything, is pushing for it to be less effective on currency issues. On nonproliferation, its new conduct on the FMCT is encouraging, but China is not a major force for strengthening the NPT or the IAEA, preferring to remain fairly inactive on these issues. Finally, while a Chinese national leads WHO, China has not attempted to strengthen or better fund the organization. Overall, in these four areas, China's inclination to solve global problems and to reinforce the international system is varied, with some positive news amid passivity and some thwarting of progress.

Also it is important to note that there are many areas outside the four global transnational threats discussed here in which China continues to play a decidedly negative role, defying international standards and impeding progress. For example, China continues to deny rights enshrined in the U.N. Declaration on Human Rights to many of its citizens. It protects terrible governments in Zimbabwe, Sudan, Sri Lanka, and Burma. Its unconventional interpretation of the U.N. Law of the Sea Convention creates the potential for dangerous clashes at sea, particularly with the U.S. Navy. Its "no strings attached" overseas development assistance, while certainly doing some good, is setting back the cause of painstakingly developed anticorruption efforts by western donors. Its mercantilist policies toward energy resources could weaken global markets over the long term. Finally, the intense campaigns of industrial espionage waged by Chinese companies undermine international progress toward fair play.

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## Will China lead?

In the areas where it is increasingly engaged and sometimes responsible, will China take the next step to constructive global leadership? Engagement is one thing, but global leadership quite another. As Evan Medeiros writes, "[China's] default position, ingrained in the current generation of policy makers is to avoid international leadership while focusing on domestic development."<sup>275</sup>

Observes a senior U.N. official, "the Chinese don't see themselves as global leaders, and they don't want to live up to requirements of global leadership. But they want to be in [the] room. They know there is a tension there. There is pressure building slowly [for a greater role]. It won't happen overnight, but it will eventually result in a political earthquake."<sup>276</sup>

China's "unique reluctance" to be a global leader arises from concerns that such a role would sap political and economic resources needed for domestic development.<sup>277</sup> "China is not in a position to think strategically or be forward looking," says a Chinese professor who requested anonymity. "Its leaders are thinking about domestic concerns."<sup>278</sup> A senior U.S. diplomat opines that "They don't want to lead because Chinese rule is 'above all, make no enemies.' They are trying hard to husband soft power and quietly build it. China's got all the time in the world. So they don't want to burn any bridges."<sup>279</sup>

China's leaders argue that it is not fair to expect China to exercise global leadership and that with a quarter of the world's population, cleaning its own house goes a long way toward being internationally responsible. And, to be fair, there aren't that many countries that regularly "punch above their weight" in the international system.<sup>280</sup>

Nevertheless, pressure for China to take on a global role is increasing. Some of that pressure will come from inside China. Its own global interests, the wishes of its people, and its desire to shape the rules of the system are all pressing a reluctant China toward a more proactive role.<sup>281</sup>

The United States and the international community will also continue to press China for responsible leadership. China's actions are pivotal to many global problems and with enormous cash reserves, a talented workforce, a vast set of global contacts, and sophisticated leaders, China has a much greater capacity than most nations to act in the common good.

There are some glimmers today of a future China that could show proactive leadership in the global public interest, though they are rare. China has cleaned up its own act in many areas, but it is only occasionally willing to use its leverage to pressure others or strengthen the international system. We have seen only one instance, on the North Korean crisis beginning in 2002 where China really went out on a limb, brought the international community together, and worked tirelessly toward a solution to a challenging global threat. And it took nearly constant U.S. pressure to achieve that. In global health, China is also now sometimes willing to be out front, but as a conference host more than a reformer.

What these examples show is that when the right constellation of pressures converge, China *will* step up to the plate. What has motivated China when it has acted to solve global problems? China is at its most responsible and proactive when short- and medium-term domestic imperatives and strong international expectations align. In North Korea, the specter of a collapsed regime that would send refugees into an already restive, poor area in China combined with intense and sustained U.S. entreaties prompted Beijing to take a chance; international kudos helped keep it going.

On health, the economic and political instability that could follow a widespread pandemic has dovetailed with a wish to avoid international blame again (as with SARS) and a desire to use health diplomacy to court developing nations. Fortunately, what China decided was good for China in response to the financial crisis, was also good for the world.

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a back seat.

When China doesn't act or acts in contravention of international norms, what motivates it? The reasons vary. Most fundamentally, the set of actions may not comport with its domestic priorities. Contrast North Korea or the swine flu response with global warming, where the short-term drive for development often runs counter to the emissions imperative as well as China's long-term desire to avoid harms from global warming.

Similarly, in the case of Iran, the demand for energy resources to fuel its economic growth push China away from the international community and its own long-term interests in Middle East stability. However, the case of nonproliferation in the 1990s offers some hope that China will sometimes act against its short-term interests, perhaps if the long-term benefits are attractive enough.

China also takes positions to ensure that it does not distance itself from the developing world, especially when it wants to display leadership on developing country issues. Further, Beijing can often count on the efforts of the United States and others to make progress, and so doesn't feel compelled to act. Further, Beijing believes, many global problems (global warming, the economic crisis, nuclear proliferation) emanate from Washington, so the onus of problem solving is appropriately lodged there.

Thus, though it has come a very long way to its now deep engagement in the international system, when it comes to problem solving and leadership, China is still taking a back seat. It is far from being a consistently forward-thinking global leader on critical transnational threats.

Though China is resisting global leadership, it is also not clear whether Beijing could have assumed that role any earlier than now. Its domestic preoccupations aside, "learning the ropes" and becoming comfortable with international institutions and rules well may be necessary preconditions to taking the next step.

China's deepening engagement with the international system will not always advance U.S. interests, of course. Beijing is quite willing to play hardball when its national interests are on the line. For example, in March, China attempted to use its leverage as a board member of the Asian Development Bank to block a \$2.9 billion loan to India because \$60 million of the loan had been earmarked for flood control projects in Arunachal Pradesh—an area disputed by the two powers. The loan was approved in mid-June over China's heated objections.<sup>282</sup>

As China's power grows, its preferences will shape regimes, not necessarily in ways the United States will welcome. When it comes to leadership, Washington wants China to lead, but toward solutions that make sense as seen from Washington. When it is ready to lead, China will, however, choose its own objectives that may or may not align with Washington's. Thus, there are risks to America of China's deeper engagement with international institutions, but no better alternatives.

# Recommendations for U.S. policy

The fact is, as David Malone put it, “the role China is playing is growing faster than our ability to factor China in.”<sup>283</sup> Washington should not demand or promote Chinese global leadership in general. The Chinese won’t welcome that, and it isn’t clear Washington should want to accelerate the coming of the day when China throws its weight around in every area. The United States should instead encourage China toward specific sets of actions, including leadership on specific issues, particularly when it comes to strengthening the system itself.

The United States does not have a great deal of leverage when it comes to influencing China’s decisions on how to engage on global challenges. China’s domestic imperatives will drive much of its policy. Still, U.S. demands have had an effect, though past experience suggests that it might take a great deal of cajoling and pressuring before Beijing will agree to act, if it chooses to at all. Yet the potential for U.S.-Chinese cooperation on strengthening the global system is potent.

What should be the Obama administration “asks” today when it comes to China’s global responsibility? Here are eight in the four areas discussed, all of which further America and China’s long-term interests in a robust international system:

## **Climate change negotiations**

- Agree to measureable, reportable, verifiable targets for emissions and use its leverage to forge a consensus for an international climate framework at Copenhagen and beyond.

## **Economic stability initiatives**

- Help to rebalance the global economy by continuing to move to a more domestic-led growth model.
- Ensure the G-20 is a successful forum for steering the global economy and engage fully in the macroeconomic “peer-review” process.
- Strengthen the role of the IMF as a global watchdog.

## Nonproliferation negotiations

- Be a constructive, proactive, and dedicated player in the multilateral negotiations with Iran and North Korea on their nuclear weapons programs.
- Ratify the CTBT and otherwise take steps to create momentum for a stronger NPT.
- Ensure successful negotiations on the FMCT.

## Pandemic response

- Lead reform of WHO to make it a more effective organization.
- Produce high-quality vaccines that meet standards for use by U.N. agencies.

As American policymakers in the administration and Congress attempt to maximize China's inclination to follow the rules, solve global problems, strengthen the system, and lead on particular initiatives, they should keep the following suggestions in mind:

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### Be attuned to China's domestic priorities

American policymakers should always consider how China's leaders will view a given international problem through their domestic lens. That exercise may offer insights into how to frame a given problem in the most compelling way to Beijing.

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### Don't let American exceptionalism justify Chinese exceptionalism

American leadership can be a potent form of leverage on issues where China resists a responsible path. U.S. exceptionalism has often given China political cover for inaction. As one Chinese academic has said, "we [in China] are in a trap of thinking, 'If America is not good, I don't need to be good. If America is bad, I can be bad too.'"<sup>284</sup> The more the United States acts in the global interest, aligns itself with the global community, and agrees to be bound by common international rules, the more pressure China will face to act likewise.

In general, to the degree the United States refrains from exempting itself from international norms, based on its superpower status or other exceptional attributes, it will be more difficult it will be for China to find ways out based on its own strong case of being exceptional. Similarly, the more fully and readily the United States pays its dues to international institutions and supports them openly, the more pressure others, including China, will feel to step up.

When Congress ratifies the Comprehensive Test Ban Treaty, for example, China will face great pressure to follow suit. On climate and energy, the stronger the legislation the U.S. Congress passes, the more heat China will feel to take a bold stance itself. As Elizabeth

Economy cautions, “we are not in any position to be asking for China to play until we move for real. We don’t have any leverage, and we shouldn’t have. Waxman-Markey [the informal title for the climate change legislation that passed the House of Representatives earlier this year, named after the two main sponsors of the bill, Reps. Henry Waxman (D-CA) and Edward Markey (D-MA)] was considered barely significant by the rest of the world.”<sup>285</sup>

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## Develop a comprehensive view about China and international institutions

U.S. policy toward international institutions is decentralized to a large degree among different agencies that interact with the international community. The Treasury Department is the prime interlocutor with the IMF, for example, and the Department of Health and Human Services with the World Health Organization. In order to gain knowledge across a wide range of areas about how China is engaging in international institutions, at the staff level, the National Security Council in the White House should convene periodic reviews of China’s behavior in international regimes to gain insights across disciplines about what kinds of U.S. tactics and strategies have worked best. Congressional hearings on this topic might also prove useful.

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## Take serious Chinese ideas seriously

When China chooses to float a proposal that could benefit the world community, whatever else its motives, U.S. officials at all levels should welcome the effort and attempt to shape its content, not ignore or reject it. The U.S. government needn’t agree with specifics, but serious proposals should be treated seriously, even if they don’t follow the Washington script of timing, interagency vetting, or substance. For example, the idea China raised of a global reserve currency is gaining traction in many developing nations. Washington may not welcome the conversation, but it’s better to engage and note the practical difficulties and drawbacks as opposed to dismissing it out of hand. Similarly, Washington ought to engage and shape the debate about a treaty controlling weapons in space. On climate, when the Chinese called a high-level conference in 2008 on technology transfer, chaired by Premier Wen Jiabao, “the world was slow to pay attention to their plans,” says Deborah Seligsohn of the World Resources Institute.<sup>286</sup>

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## Be prepared to push back.

By returning to its role as a champion and reformer of international institutions and rules, as the Obama administration has done, the United States will ensure it has the clout and diplomatic capacity within institutions to push back on Chinese initiatives that harm U.S. interests. It will take concerted efforts by American diplomats to regain trust and leverage within international institutions, but that is needed to ensure that institutions will serve

U.S. national interests. Rules and institutions can make it easier for the United States to steer China toward a responsible path because they create a momentum that others reinforce, and, in some cases, it can be more difficult for China to turn down a whole regime, as opposed to just turning down Washington. But that only works if the United States has the clout and allies within international institutions and processes to apply pressure.

For example, in some cases, the United States may want to disengage China from the caucus of developing nations with which it huddles. With China's large-scale investments in many developing countries, this will require deft maneuvering by our diplomats. On climate, in particular, China sticks closely to the bloc of developing nations. But China is an exponentially larger offender than most, with exponentially larger means to invest in alternatives. The truly poor developing nations ought to be made to see that their cause is often harmed by the inclusion of China in their negotiating bloc and they should get political credit in the United States for stepping up themselves. Indonesia's decision to set binding targets on emissions, for example, should be heralded.

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### Introduce “pay-to-play” and accountability mechanisms in international organizations

To reduce free-ridership, the United States should advocate for “pay to play” and accountability mechanisms in international organizations. Encouraging not just China but other large emerging economies to step up to the plate of international problems will be an enduring challenge for the United States and the international community. One approach is to make more institutions follow a model such as in the IMF, where the degree of influence a country enjoys is tied to its willingness to contribute. Of course, institutions also need to represent the interests of the poorest, but that should not be used as an excuse for pivotal powers with capacity, such as China, India, Russia, and Brazil, not to do their share. Further creative thinking is needed about how to define contributions, beyond actual dollars or peacekeepers, and how to measure them.

The United States should also encourage international institutions and member countries to find more ways to hold themselves accountable to their own pledges and promises. The recent efforts by the G-8 and G-20 to review progress on their institutional commitments is a step in the right direction, though a more formalized and rigorous accounting would be welcome. The idea that G-20 countries will also submit their macroeconomic plans to each other in a “peer-review” process is another innovation in accountability. An international “responsibility index” is another possibility. “Pay-to-play” and accountability mechanisms would also help to ensure that the United States gets the international credit it is due for the great deal of money and effort it spends on alleviating international problems.

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## Put reform of international institutions on the bilateral table

When acting in concert, the United States and China could be a powerful force to push for reform. As one senior U.N. official put it “The fact is that the United States and China— the former an underperformer and the latter a super-underperformer historically — are both moving up the curve of global multilateral action. We will be in a whole new world if both the United States and China can pull in the same direction. It changes the dynamics entirely. U.S.-China cooperation through a representative, legitimizing multilateral forum is a big, big deal.”<sup>287</sup>

Those efforts should be on the menu of bilateral issues at the Strategic and Economic Dialogue, the yearly meeting of Chinese and American officials, and presidential summits. Reform at WHO is a prime candidate. It is in China’s interests, both from a health and from a reputational point of view, for the multilateral health agency to be a highly effective showcase for Chinese leadership. The United States is an active player there as well. WHO’s current structure, however, is compromised, so a push for reform from both countries would be a positive step for global pandemic response and health more generally. Similarly on peacekeeping, the United States and China could agree to both step up their contributions to U.N. peacekeeping together. In contrast, when Chinese and U.S. views on reforms clash, progress grinds to a halt, as reform plans for the U.N. Security Council illustrate.

# Conclusion

China's relationship with the international system is still evolving. When it comes to four daunting transnational threats—global warming, the global economic crisis, nuclear proliferation, and global pandemics—China's conduct has increasingly fallen in line with the international architectures, rules, and norms of the global community. While this progress has not been wholly linear, the overall the pattern has been one of deeper engagement with international institutions and greater adherence to the rules, along with efforts to shape the rules. Some instances of global problem solving, dedication to strengthening the system, and leadership offer hope for more of the same.

As it grows, China will have more and more to lose if the international system is not prepared for potent transnational threats. As that reality begins to sink in, we can hope that China is increasingly willing to put aside some short-term interests to tackle difficult problems before they get worse and invest in the architectures of order that will assist in that responsibility. That is the China the world needs.

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