

members of the so-called Communist Youth League Faction and surrogates of President Hu. In May 2003, Meng, then mayor of Beijing, had to resign to take responsibility for the spread of the SARS virus in the capital. In what may appear to have been a comeback for Meng only ended in more embarrassment for Hu. In light of the recent scandals as well as signs of an economic downturn, the upcoming CCPC plenary session could provide central and regional cadres with an opportunity to work out better solutions based on a more efficient power-sharing formula rather than a continuation of administrative malaise due to multi-level bureaucratic inertia.

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Beijing's Perspective: Sino-U.S. Relations and the 2008 Presidential Election

By Shen Dingli

Americans will decide in November whether a Democrat or Republican will become the 44th president of the United States, and the whole world is weighing how the two political parties' platforms and presidential candidates' persona of "change" will impact the orientation of the world's superpower and the new world order. China, as an emerging power, is no exception in keenly following the Democratic and Republican tickets for the 2008 American presidential election. The Chinese Communist Party (CCP) even sent Ma Hui, director for the Americas at the CCP Central Committee's International Department, to observe the Democratic National Convention (DNC) at the invitation of the National Democratic Institute (NDI), marking the first time that the CCP participated in an American political party convention (*Wen Wei Po*, August 30).

Numerous government-affiliated think tank reports in China have repeatedly stated that Sino-U.S. relations are the single most important bilateral relations for Beijing (CICIR Report, October 23, 2002). Since Deng Xiaoping

initiated China's economic reforms, the United States has facilitated China's opening and development by providing capital and technology as well as an immense market for Chinese exports. In 2006 U.S. foreign investment in China reached \$22 billion, more than twice the amount four years earlier (*New York Times*, June 19). Outsourcing by U.S. businesses has propped up China's growing labor market while generating more taxable income, which in turn promotes social stability—and by extension the government's legitimacy in the eyes of the Chinese polity. These are facilitating factors that have accompanied the transition of the Chinese economy from a centrally planned to a more market-oriented system. Respondents to a recent survey published by the Chinese Academy of Social Sciences (CASS) Institute of Sociology revealed that 75 percent agreed that China was stable and harmonious—although the same study expressed concerns over the possibility of increasing conflict between the masses and government officials (Xinhua News Agency, September 12).

The Chinese view of its government's relations with the United States is primarily based on economic terms and is shaped around the premise that sees China as a newly developing economy that offers opportunities to American investors to expand their wealth. According to *The 2008 Pew Global Attitudes Survey in China*, 55 percent of Chinese respondents think China's economy has a positive effect on the economies of other countries (Pew Global Attitudes Survey, July 22). Low cost Chinese manufacturing helps save \$70 billion for American taxpayers annually (*Reference News*, July 19, 2007), which provides credit for the United States to spend additionally elsewhere where needed. Beijing provides support to the currency of the U.S. government by investing heavily in U.S. Treasury Bonds and government-backed sub-prime mortgages at some one trillion dollars in total (The Associated Press, September 5). According to Ha Jiming, the chief economist for China International Capital Corp, it is estimated that China holds up to \$400 billion in Fannie Mae and Freddy Mac securities (*China Daily*, September 12).

Parallel to this trend toward greater interdependence on the economic front, Beijing has been the host of the Six-Party talks since 2003. Beijing has—in measures proportionate to its evolving security interests—joined Western-led international sanctions against Iran's nuclear proliferation. In reciprocal measures China expects the United States to curtail Taiwan's move toward de jure independence. Beijing cannot accept Washington's intervention in a resolution of the Taiwan Strait through its continued arms sale to Taiwan. Thus China has been augmenting its military to render its threat to Taiwanese independence more credible.

CHINA AS AN ELECTION ISSUE

China policy has been a major bone of contention in the past two U.S. presidential elections, especially after the end of the Cold War as the United States fundamentally needed to remap and redefine its security environment and national interests respectively. Former President Bill Clinton, when campaigning in 1992, vowed to sweep away repressive regimes from Baghdad to Beijing. President George W. Bush came into power in 2001 with the belief that China would be the United States' "strategic competitor."

In the 1992 and 2000 elections, it was more relevant for Beijing to watch who would be elected in Washington, given the stark differences of the candidates' China policy. Beijing tended to lean toward the side of the governing party: it was Clinton who challenged the China policy of George H.W. Bush, and it was the latter's son who was hostile to the China policy manifested in Clinton's second term that emphasized engagement with China. When welcoming Former Chinese President Jiang Zemin to visit Washington in 1997, Clinton even called U.S. relations with China a "constructive strategic partnership toward the 21st century." Compared to the 2000 election, the salience of China as a contentious issue in the 2008 presidential campaign has been much less pronounced in the race for the White House between Senator John McCain and Senator Barack Obama (AMCHAM-China's *China Brief*, October).

This demonstrates to the Chinese that, within the past decade, there has emerged a nascent bipartisan consensus on China in the United States: That with U.S. cooperation, China has successfully embarked upon economic reform and is effectively shaping Chinese institutions. When coupled to the success of the Beijing Olympics, these reforms have generated a great amount of Chinese enthusiasm and productivity, as well as wealth that enrich both Chinese and American. China's opening has made the country far more connected to the international community, both strengthening the nation while exposing its vulnerability due to increasing global interdependence.

THE 2008 PRESIDENTIAL ELECTION

Sino-U.S. relations are stabilizing, and it has been less critical to base Chinese assessments on the ideology and personality of the candidates. After all, Beijing and Washington have managed to overcome the fall out from the collision between a U.S. Navy EP-3 Reconnaissance aircraft with a Chinese jetfighter in 2001. President Bush has since visited China four times including his most recent participation in the Beijing Olympics. Yet Beijing is still keenly observing U.S. electoral politics as the policy

priorities of the different presidential candidates may still diverge.

The United States is now China's number one export destination; China's exports to the United States in the first six months of 2008 totaled \$116.79 billion, up 8.9 percent from the same period last year. Furthermore, China's export volume to the United States stood at \$232.7 billion in 2007, representing an increase of 14.4 percent over the same period in 2006 (*China Daily*, August 15) [1]. In peacetime, the Chinese government will first consider domestic economic development, measured primarily at this stage by production and export, though often at the cost of environmental and ecologic degradation.

The United States faces immense economic volatility, especially with the sub-prime mortgage crisis coupled by the spike in oil prices as well as the weakening dollar. Due to globalization, China's economy is now increasingly intertwined with the rest of the world, in particular with the United States. A decline in the U.S. economy would undercut America's ability to consume, hence reducing its demand to import from China.

Senator Obama appears firm in advocating a value-based international trade system, urging negotiations with the EU on a trade arrangement that will take labor and environmental factors into account. Obama has suggested revising NAFTA to allow similar considerations. Though he has not said much about China, Obama has indeed indicated that his administration will "use all the diplomatic avenues available to seek a change in China's currency practice" to balance U.S. economic relations with China. Overall, Senator Obama appears to take a tougher position on China regarding issues of trade, currency, and environment/climate as well the protection of intellectual property rights (IPRs).

Senator McCain has also stressed the need to keep China committed to international trade rules, protecting IPRs, reducing tariffs of manufacturing industries, and honoring the promise for a market-oriented currency exchange rate. In the meantime, he has noted that to assure U.S. leadership, America shall seek international cooperation rather than isolation, and global free trade rather than national protectionism. He has also suggested that the United States should provide necessary low-carbon-emission technology to China and India because it would benefit America.

Whether Americans elect Senator McCain or Senator Obama as the next president of the United States, there is likely to be less volatility in bilateral relations and fewer concerns in Beijing that there will be any major policy shift in U.S.-China policy compared to previous elections.

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NOTES

1. The U.S.-China Business Council, US-China Trade Statistics and China's World Trade Statistics, <http://www.uschina.org/statistics/tradetable.html>.

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Blocking the Hormuz Strait: China's Energy Dilemma

By Yitzhak Shichor

Over the last few weeks Iran has amplified its threats that, if attacked, it would immediately close the Strait of Hormuz, a strategic chokepoint nestled between the Gulf of Oman and the Persian Gulf (*Al-Siyasa* [Kuwait], July 7). Iran's Revolutionary Guard Corps Commander Mohammad Ali Jafari warned, in no uncertain terms, that "one of our reactions will be to take control of the Persian Gulf and the Strait of Hormuz." Major General Jafari added that Iran's "capabilities in these crucial naval passages are so extensive that, in the case of an attack, not only the enemy but also all those who assist him will no doubt sustain [considerable] harm. [...] As a result of taking control of the Strait of Hormuz, the price of oil will spike considerably" (*Jam-e Jam* [Tehran], June 28). More recently he said that the Strait is within the range of Iran's weapons and could easily be blocked for an unlimited period of time (*Kayhan* [Tehran], August 5; IRNA, August 4; BBC, August 4). Iran's armed forces Chief of Staff Hassan Firouzabadi insisted that "if the country's interests are jeopardized [...] we will not let a single vessel pass through the Strait" (IRNA, July 5). Expressing alarm, some Persian Gulf governments led by Qatar have launched a series of consultations in anticipation of the blocking of the Strait and in order to guarantee the continuation of oil export (for which emergency plans had already been drafted) (*Al-Jarida* [Kuwait], July 1). A Saudi editorial headlined "Closing Hormuz: Iranian Suicide" warned that blocking the Strait would not only upset the United States but would turn the entire world into a united front against Iran (*Al-Watan* [Riyadh], August 5).

Hormuz is by no means a new vista for China. It had been mentioned in Yuan Dynasty sources and visited by Admiral

Zheng He's naval expedition in 1412-13 and 1430-31. At least four Hormuz diplomatic missions came to China [1]. The History of the Ming Dynasty (*Mingshi*, Ch. 326) says: "The country of Hulumusi [Hormuz] is situated on the utmost border of the Western Sea. The trading vessels of the southern barbarians come thither, and the nations of the Great Western Sea, as well as the merchants of the *Xiyu* [Western Asia] meet for commercial purposes." Today's China is one of them. Heavily dependent on Persian Gulf crude oil imports and maintaining friendly relations with all parties involved, Beijing, however, has not yet officially responded to Tehran's threats [2], though undoubtedly it has been making its own preparations.

Following the U.S.-Iran naval incident in the Hormuz Strait earlier in the year, Hua Liming, former Chinese ambassador to Iran, told *China Daily*: "Neither Washington nor Tehran seems to have a political will strong enough for a military showdown in the Persian Gulf in the near term" (*China Daily*, January 10). This issue was not raised publicly during Mahmoud Ahmadinejad's recent meeting with Hu Jintao while on a one-day visit to China on September 6. This was their third meeting, Ahmadinejad's second visit to China and first to Beijing. The Iranian president's stay was cut short by half and a scheduled press conference was cancelled—no reason was given (AFP, September 6). Using very general terms, Hu Jintao said that the two countries "would strengthen international cooperation and jointly safeguard regional and world peace and stability" (Xinhua News Agency, September 6). Before his departure Ahmadinejad said in a reserved tone that "good decisions" had been made; that the prospects of economic relations are "good"; and that bilateral relations have been "satisfactory" (IRNA, September 7). Beijing did not demonstrate much enthusiasm about Ahmadinejad's reelection, has endorsed UN Security Council sanctions against Iran and failed to support Iran's admission to the Shanghai Cooperation Organization (SCO)—all this despite China's "dependence" on Iran's oil.

GROWING DEPENDENCE YET RELATIVELY LIMITED

China's oil imports vary considerably not only from year to year but also from month to month. Yet the overall trend is clear: the Persian Gulf is a major source of Chinese crude oil and in the long run China will likely become even more dependent on this region for its energy needs than it is today. The reason is that while Beijing has been attempting—albeit unsuccessfully—to diversify its external oil resources that now spread all over the world, many of these resources are forecasted to dwindle and dry up within the next two to three decades, while the same cannot be said of the supply in the Persian Gulf. According to most recent estimates, oil reserves of the Persian Gulf countries account for nearly 56