



## Hu's Visit: Hot Economics, Luke-Warm Politics

by Ralph A. Cossa

I had dinner Thursday night with Hu Jintao! He was hoping for George Bush. Instead he got me (and about 900 other guests, mostly from Washington and New York think tanks and business councils involved in trade with China) in a suit-and-tie (as opposed to black tie) dinner at a downtown D.C. hotel ballroom (rather than the White House). Imagine his disappointment!

Presidents Hu and Bush tried to put a positive spin on the "win-win" visit. But a more candid assessment would find it hard to find any winners. Even though expectations were set fairly low – no breakthroughs were anticipated – neither side appears to have come away happy.

Hu wanted a formal state visit, complete with a White House dinner, to demonstrate to the Chinese people that he was treated with equal respect as his predecessor: Jiang Zemin received a formal state visit with all the trappings during his first visit to Washington, but that was in a different (Clinton) era. The Bush administration's moral equivalent of a state visit – a trip to the ranch in Crawford, Texas – had been accorded to Jiang when he visited Bush and was offered to Hu, who held out for the state visit that never was.

The Chinese side compensated by calling it a state visit anyway, insisting that Hu receive a full 21-gun salute during his White House lawn ceremony. Unfortunately, Hu got one more blast than anticipated, from a loose cannon in the press gallery by the name of Wang Wenyi, representing *The Epoch Times*, a pro-Falun Gong newspaper. She interrupted President Hu's remarks, shouting for President Bush to stop China's persecution of this banned (in China) religious sect.

Even those of us familiar with government inefficiencies find it hard to believe that a known agitator – she had been arrested for similar (albeit lower level) disruptions in Malta – from an openly antagonistic advocacy paper could have been given a press pass to such a sensitive (politically and in terms of security) event. The only thing more unbelievable, however, is the assumption that the secret service would willingly or knowingly let such a person into the ceremony. Nonetheless, conspiracy theorists will have a field day with this one and someone should (but probably won't) be fired over this incident. Beijing will be watching closely to see if Dr. Wang really gets the jail time most are forecasting.

The incident was edited out of Chinese broadcasts of Hu's visit, but savvy web surfers watched with interest and amazement and many (including irate Chinese officials) are already questioning how such an incident, which I personally believe was just a monumental screw-up, could possibly have happened by accident.

From a foreign policy perspective, the visit underscored just how far apart both sides remain on major issues of concern. On Korea, Bush rather pointedly asserted that he would continue to urge China "to use its considerable influence with North Korea to make meaningful progress" on the denuclearization issue. For his part, Hu merely observed that "the Six-Party Talks have run into some difficulties" and that he hoped that the parties [read: Washington and Pyongyang] "will be able to further display flexibility" in order to "create necessary conditions for the early resumption of the talks." Washington is clearly getting frustrated with Beijing's "even-handed" approach to the problem, which implies (and often directly states) that the U.S. and North Korea are equally at fault.

On the other two U.S. "hot button" issues, Hu made it clear that China was not prepared to back a hardline U.S. position on Iran and would address revaluation of the renminbi on its, not Washington's, timetable, promising vaguely to "continue to take steps" in that direction.

As regards Beijing's priority issue, President Bush was careful not to plow any new ground on Taiwan, merely repeating his "we oppose unilateral changes in the status quo" mantra while urging all parties "to avoid confrontational or provocative acts." Beijing was hoping for a specific rebuke of Taiwan President Chen Shui-bian's latest provocative actions – his February declaration that the National Unification Council had "ceased to function" – but this was not meant to be (since Chen has wisely kept quiet since then and, for once, resisted the temptation of trying to upstage a U.S.-China summit); Bush had more directly criticized Chen in 2003 during Premier Wen Jiabao's visit.

In public, Bush also stuck with the "do not support independence for Taiwan" formulation. Nonetheless, Hu praised Bush for noting on various occasions that he "opposes Taiwan independence," a formulation Bush has never used publicly (although several other senior officials have) but reportedly did say privately to Jiang (and one surmises to Hu as well).

President Bush also made it clear that Beijing needed to move faster and further down the road toward greater democracy and respect for individual human rights, including political and religious freedom: "China can grow even more successful by allowing the Chinese people the freedom to assemble, to speak freely, and to worship." Every time President Bush mentions religious freedom, of course, the first thing that comes to Chinese minds is not Christianity but Falun Gong, thus raising questions anew about the South Lawn incident.

The only thing more counter-productive than President Bush publicly issuing a report card on China's democratic

progress is for Chinese leaders to proclaim that they already deserve a higher grade in this subject. Even the most avid China-supporters at the Thursday dinner were rolling their eyes when President Hu assured us that the Chinese people were already enjoying democracy and religious freedom . . . “within the law.” This would have come as news to the crowds of Falun Gong and other religious and human rights protesters that lined the sidewalks throughout Washington during Hu’s visit . . . and to those on the U.S. list of political prisoners that Washington would like to see released from Chinese prisons. Traditionally, China sets a few free as a goodwill gesture before a summit meeting; this has not occurred during the last two Bush-Hu summits, a clear reflection of growing Chinese self-confidence (if not arrogance) in dealing with the issue of human rights.

On a more positive note, President Bush did refer to both countries as “stakeholders in the international system,” reinforcing the “responsible stakeholder” theme that has become the buzzword for Sino-U.S. relations (at least in Washington). By calling both nations stakeholders, it should reduce somewhat Beijing’s complaints about the judgmental nature of the term (although, in the final analysis, who gets to define what behavior is “responsible” remains the primary bone of contention).

From a business perspective, the trip was only slightly more productive. Hu’s buying spree, especially during his Seattle visits to Boeing and Microsoft, while expected and a mere drop in the bucket (given the over \$200 billion dollar annual trade deficit), was nonetheless appreciated and his expressed commitment on protecting intellectual property rights and moving toward a more consumer-based economy were welcomed, albeit skeptically. There even appears to be a

“wink and a nod” regarding revaluation in the not-too-distant future, as long as it doesn’t look like Beijing is yielding to U.S. pressure.

But, while China remains an attractive place to do business, given the profit potential, even here China’s slow movement toward fundamental economic reform, especially regarding greater regulatory transparency, the removal of numerous structural impediments, and observance of the rule of law, have caused even the most bullish on China to remain wary. (In a bit of delicious irony, Hu no doubt took great delight in stealing a page from the U.S. playbook by expressing the hope that the U.S. “will be able to create a level playing field for Chinese businesses who want to enter the American market,” a well-deserved shot, given last year’s CNOOC fiasco, but a bit disingenuous nonetheless, given the relative state of openness of each other’s markets.)

Two years ago, both sides were proclaiming that Sino-U.S. relations were “the best ever.” This phrase is seldom if ever heard in either capital today. While it is still premature to describe the relationship as “hot economics, cold politics” – a catch phrase now used to describe Japan’s relations with China and South Korea – politics at present are, at best, lukewarm and the trend is heading in the wrong direction. And, without serious movement on the trade imbalance, IPR, revaluation, and greater financial transparency and reform, “hot economics” could become “hot potato” economics as U.S. 2006 fall election campaigns begin to heat up.

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