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A NEW TYPE OF RELATIONSHIP

Fourth round of Strategic and Economic Dialogue bears new fruit

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Seeking Common Ground

The recently concluded fourth round of the China-U.S. Strategic and Economic Dialogue (S&ED) produced a wide range of positive outcomes.

Sixty-seven agreements were reached during the talks, jointly headed by Chinese Vice Premier Wang Qishan, State Councilor Dai Bingguo, and U.S. Secretary of State Hillary Clinton and Treasury Secretary Timothy Geithner, on issues such as trade, investment and financial cooperation.

Trade relations have always been one of the main focuses of the talks. As a result of the dialogue, China has pledged to continue the reform of its exchange rate regime and improve the business environment for U.S. companies based in China. The United States will speed examination and approval procedures for Chinese financial institutions investing in the United States. It also agreed to relax restrictions on civilian technologies and hi-tech exports to China.

The two sides also sought common ground on other contentious issues. They affirmed their support for establishing the China-U.S. Maritime Safety Dialogue Mechanism and holding its first dialogue this year. Another round of consultation on Asia-Pacific affairs and a human rights dialogue is scheduled later this year. They also exchanged views on the Korean Peninsula situation, Iran's nuclear program, Syria and Sudan-South Sudan conflicts.

More importantly, China and the United States agreed they must work together to forge a new type of power relationship centered on peaceful coexistence, benign competition and mutual benefit. This could be the most significant outcome yet achieved through the platform.

The new type of relationship will not be immune to differences or even conflicts of interest between China and the United States, which have different political systems, cultural backgrounds and development levels. But these should not hinder cooperation nor should a single incident or individual affect the overall relationship. The incident involving Chen Guangcheng, a self-taught blind lawyer who entered the U.S. Embassy in Beijing in late April and later tried to seek education in the United States, is one such example.

The S&ED is one of the mechanisms that facilitate the cooperation between the world's biggest developed nation and the world's biggest developing nation. Since its establishment in 2009, the talks have contributed to business cooperation. In the meantime, it has worked to dispel distrust and sought common ground between the two nations. With joint efforts planned across the Pacific, the scope and influence of the dialogue will continue to increase. ■

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Deepwater Drill

A helicopter landing on China's "Marine Oil 981" drilling platform in the south China Sea. The drill is 320 km southeast of Hong Kong and the well is 1,500 meters deep.

According to China National Offshore Oil Corp., the "Marine Oil 981" is the sixth-generation semi-submersible drilling platform. It will begin operations in September.

This is the first deepwater oil and gas drilling platform designed and constructed independently by a Chinese oil company, a big step forward of China's oil industry in deepwater operation.

"It is clear that the Philippine side does not realize it is making serious mistakes by stepping up efforts to escalate tensions. Therefore, it is hard for us to be optimistic about the situation. We hope that the Philippine Government will not misjudge the disagreement or escalate tensions without considering the consequences. The Chinese Government has made all preparations to respond to any escalation by the Philippine side."

China's Vice Foreign Minister Fu Ying, meeting with Alex Chua, Charge D'affaires of the Philippine Embassy in China, on May 7

"China's population accounts for 19 percent of the global population while its current trade volume is only 10.4 percent, so it will be totally fine for China's trade to be 15 percent of the global share."

Chinese Minister of Commerce Chen Deming, at an economic meeting held in east China's Jiangsu Province on May 7

"The elections weren't easy and there were many difficulties. Such elections in such way will not make a real parliament and would further enrage the crisis. Syria's electoral system should be radically changed."

Qadri Jamil, head of the National Front for Change and Liberation of Syria and a parliament candidate, at a press conference held in Damascus on May 9, saying that there have been numerous violations in the polls held two days before

"The government is right to place deficit reduction and economic stability at the forefront of its program."

Simon Walker, Director General of the Representative Association for Business Leaders of Britain, on British Government's legislative plans for the coming year which focuses on economic recovery

Water Usage Measures

China will continue to carry out strict management measures to cope with water shortages, said Chen Lei, Minister of Water Resources, on May 8.

He said that the measures include strengthening water resources protection and promoting the restoration of aquatic ecosystems.

China sees a 50-billion-cubic meter water shortage annually, with two thirds of its cities having trouble accessing water. The country's annual water consumption now exceeds 600 billion cubic meters, accounting for 74 percent of the country's exploitable water resources.

China's water consumption should be controlled below 700 billion cubic meters by 2030, and its efficiency of water usage will reach advanced levels, the Chinese Government said in a document issued in January.

The country aims to reduce water consumption per 10,000 yuan (\$1,597) of industrial value-added output to less than 40 cubic meters by 2030, raise the effective water use coefficient of farmland irrigation water to above 0.6 and improve water quality, according to the document.

More Social Workers

The Chinese Government has formulated a plan to train 1.45 million social workers by 2020.

"By the end of 2015, licensed social workers will total 500,000, and another 950,000 will be added during 2016-20," Minister of Civil Affairs Li Liguo told Xinhua News Agency on May 9, citing the long-term plan (2011-20) for developing a national social work system.

China currently has 320 colleges with undergraduate programs in social work and 60 colleges and academies offer master's degrees

in social work. At present only 20,000 social workers graduate every year.

More than 600 private social work institutions are operating in China, providing services in fields concerning people's livelihoods, national unity, community services and criminal rectification, figures from the China Association of Social Workers show.

According to the plan, social service-oriented communities and government organizations should first consider qualified social workers when recruiting staff. They will also be given preference when applying for public servant posts with governments at all levels.

Traditional Medicine

The World Health Organization (WHO) designated the Chinese Medicine Division (CMD) of the Health Department in Hong Kong as the Collaborating Center for Traditional Medicine (CCTM) on May 9.

It is the first such center of its kind in the world and will focus on assisting the WHO to formulate policies and strategies as well as setting regulatory standards for traditional medicine.

The CMD of the Health Department, founded in 1997, is a designated division tasked with regulating, promoting and improving the safety, quality and efficacy of Chinese medicine.

At the center's opening ceremony, Secretary for Food and Health of Hong



WELCOME TO XINJIANG Local people perform at the opening ceremony of the Second Altay Folk Culture and Tourism Festival in northwest China's Xinjiang Uygur Autonomous Region on May 8

Actress Honored

Chinese actress **Zhao Tao** won the best actress prize at Italy's David di Donatello 2012 Awards on May 4. Zhao received the award for her leading role in *Io Sono Li*, a movie co-produced by China and Italy, becoming the first Asian to win the prestigious Italian award.

"The movie was a perfect example of joint cinematic efforts by Italians and Chinese," said Zhao. "I think the movie has succeeded in showing how people from two different cultures learn from each other at a profound level."

Directed by Andrea Segre from Italy, *Io Sono Li* is a love story between a Chinese immigrant who works as a barmaid in the Venice lagoon town of Chioggia, and a local fisherman nicknamed The Poet. In 2011, the movie was screened in the Venice Days section of the 68th Venice International Film Festival.

Zhao, 34, was born in Taiyuan, Shanxi Province. She enrolled in the folk dance department at Beijing Dance Academy in 1996. After graduation, she became a dance teacher in Taiyuan Normal University. She gained instant fame for her performance in Chinese director Jia Zhangke's movie *Platform*. Her most famous films include *Unknown Pleasures*, *The World*, and *Still Life*.



COLLEGE DANCERS Contestants perform ballroom dance at a competition in the University of Science and Technology of China in Hefei, capital of east China's Anhui Province, on May 6



HUANG BINGJANG

BEAUTY IN FLOWERS A model shows off headware made of flowers at the Hong Kong Flower Fashion Show on May 8

Kong Special Administrative Region, York Chow, said, "Traditional medicine is no doubt a precious resource which has much to offer in complementing conventional medicine."

Following the ceremony, a three-day meeting of global experts was held to develop the next WHO traditional medicine strategy. The new global strategy will take into account various countries' progress and new challenges in the field with an ultimate goal of

supporting member states in integrating traditional medicine into their respective national health systems.

Anti-trust Rules

China's Supreme People's Court (SPC) published on May 8 a judicial interpretation on civil lawsuits filed against monopolistic acts, the first of its kind, in a bid to smooth such claims and promote fair competition.

According to the interpretation, an individual, company or organization may bring a civil anti-trust lawsuit directly to the court without having to obtain a government determination on a certain monopolistic act.

Moreover, the new rules have reduced the plaintiff's burden of proof in such cases.

The plaintiff need not prove the existence of monopoly hazard in typical monopoly cases with evident and serious threats to the market, such as the acts of illegal price or market segmentation collusion, said Kong Xiangjun, Chief Judge with the Third Tribunal for Civil Trials of the SPC.

Antibiotics Regulation

An inspection of more than 430 major hospitals across China showed that the prescription of antibiotics accounted for 15 percent of the total prescriptions in hospitals in 2011, down from 27.8 percent in 2006, according to the Ministry of Health.

Antibiotics were applied in about 58 percent of surgeries involving open wounds in 2011, down from 99 percent in 2006, and were applied on less than 30 percent of hospitalized patients, down from 51.5 percent, said

Wang Yu, a senior official with the ministry.

The country launched the campaign last April to curb the prevailing abuse of antibiotics.

In addition, a new regulation on the medical application of antibiotics will take effect on August 1, which upgrades the management on the purchase and applications of antibiotics in hospitals and interference in abuse.

Rural Diabetes Doctors

China will train 8,000 doctors in rural areas to prevent and treat diabetes, covering 279 counties in nine provinces, the Chinese Diabetes Society (CDS) under the Chinese Medical Association said on May 4.

The year-long program will allow doctors to receive both face-to-face and remote online training in the provinces of Jiangsu, Hebei, Zhejiang, Fujian, Guangdong, Sichuan, Yunnan, Shandong and Henan, the CDS said.

A CDS survey indicated that China has more than 40 million diabetes patients in rural areas, similar to the number found in urban areas.

However, nearly 70 percent of rural patients are not even aware that they have the disease because of the poor quality of rural medical care.

Ji Linong, Director of the CDS, said the training program is aimed at improving the knowledge and skills of rural doctors for the purpose of standardizing diabetes prevention and treatment.

Diabetes specialists from the CDS will train the counties' most highly qualified doctors, who will then pass on their knowledge to clinical doctors through training courses and seminars, Ji said.



WANG SHEN

MAPPING SATELLITE A Long March 2D carrier rocket carrying the *Tianhui 1-02* mapping satellite blasts off from the launch pad at the Jiuquan Satellite Launch Center in northwest China's Gansu Province on May 6

Iron Ore Trading

China's first iron ore spot trading platform made its debut on May 8 as the country, the world's largest consumer of the commodity, strives to up its pricing power. First-day transactions totaled 242,000 tons.

The platform was jointly launched by China Beijing International Mining Exchange, China Iron and Steel Association and China Chamber of Commerce of Metals, Minerals & Chemicals Importers and Exporters.

The benchmark trading price will be set based on the average prices on the previous trading day, while the daily trading band is set at 10 percent.

So far, the platform has 152 members, including major Chinese steelmakers such as

Baosteel, Anshan Iron and Steel Group and Hebei Iron and Steel Group, as well as top foreign miners BHP Billiton, Rio Tinto, Vale and Fortescue Metals Group Ltd.

Subsidy Program Flop

A nationwide subsidy program for rural consumers failed to spur home appliance sales in rural China amid the economic slowdown in the first four months of this year, according to data released by the Ministry of Commerce (MOFCOM).

Home appliance sales in China's countryside fell 6.7 percent year on year to reach 61.68 billion yuan (\$9.8 billion) during the January-April period.

The volume of appliances sold during this

period dropped 16.4 percent to hit 23.34 million units.

As of the end of April, China had subsidized 241 million units of home appliances valued at 567.49 billion yuan (\$90.08 billion) over the past two-and-a-half years since the subsidy program began.

Initiated in 2009 to stimulate rural consumption and buoy the nation's economic growth amid the global economic downturn, the subsidy program will be effective until January 2013.

Under the program, farmers can receive subsidies equal to 13 percent of the price of the home appliances they buy.

Anti-dumping Probe

The MOFCOM said on May 8 it found that the European Union and Japan have been dumping certain high-performance stainless steel seamless tubes into the Chinese market.

Investigations showed the dumping has substantially harmed Chinese producers, and importers of those products will have to pay anti-dumping deposits to China's customs authorities starting from May 9, the MOFCOM said in a preliminary ruling released on its website.

The deposits will be charged in accordance with the dumping margins of different producers, at rates ranging from 9.7 percent to 39.2 percent of the customs value of the imported goods.

Boosting Equipment Sector

China is looking to triple the sales revenue of its high-end equipment manufacturing industry to 6 trillion yuan (\$951 billion) by 2015, according to the sector's 12th Five-Year Plan (2011-15) published by the Ministry of Industry and Information Technology on May 7.

Sales of high-end equipment will account for 15 percent of the overall revenue of the equipment manufacturing industry in three years, compared with 8 percent in 2010, and will also have a larger share of



MAIDEN VOYAGE The launching ceremony for the large container vessel *New Qinzhou* is held at the port of Qinzhou Bonded Area in Guangxi Zhuang Autonomous Region on May 9

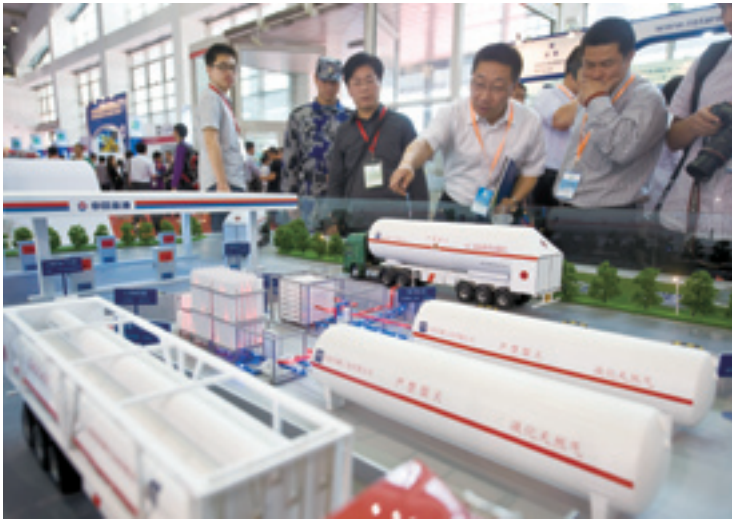
Numbers

1.65 trillion yuan

Sales of the top 100 chain stores in China totaled 1.65 trillion yuan (\$238.63 billion) last year, according to the China Chain Store and Franchise Association

\$35.12 billion

Trade between the Chinese mainland and Taiwan in the first quarter totaled \$35.12 billion, down 6.7 percent from the same period last year, said the Ministry of Commerce



GAS SHOW
Visitors watch a model of a liquid petroleum gas station at the 13th China Gas Station Equipment Exhibition held in Beijing on May 8

the global market.

The industry mainly includes aviation equipment, satellite and applications, railway transportation equipment, marine engineering equipment, and smart manufacturing equipment.

Aircraft manufacturing will be one of the key growth areas. China will also continue to invest in high-speed railway innovation and the exploration of global markets to establish its railway transport industry as the world leader.

Trial OTC Market

China's securities regulator will allow retail investors to trade unlisted shares in a new national over-the-counter (OTC) market currently in the planning phase.

"When the trial OTC market goes nationwide in the future, we plan to let investors enter the market but they must meet certain requirements such as investment experience," said Yao Gang, Vice Chairman of the China Securities Regulatory Commission (CSRC).

Guo Shuqing, Chairman of CSRC, said last month that preparations for the new OTC

board, similar to the OTC Bulletin Board in the United States, were under way.

Government Debt Surge

Bonds issued by China's local government financing vehicles surged in the first quarter of this year as urban construction continued to boost government demand for funding, the *Shanghai Securities News* reported.

These financing vehicles or companies set up by local governments to raise funds and bypass restrictions on direct government financing, floated 71 bonds in the first quarter, up from 54 during the same period last year.

A total of 84.5 billion yuan (\$13.5 billion) was raised through the bond issuance, up 35 percent year on year, according to figures from the Shenzhen-based Pengyuan Credit Rating Co. Ltd.

Bond financing through local government financing vehicles will stay at a high level this year, Zhou Yuanfan, Vice President of the company.

Chinese laws stipulate that local governments are forbidden borrowing directly from

Prominent Fashion Designer

Famous designer **Guo Pei** released her latest creations in Beijing on May 6. The fashion show is named *Story of a Dragon* and had been in the works for three years.

Guo, 45, started her designer career when she was 19. In 1986, she graduated from college and became one of the first professional designers in China. She is now regarded as China's top haute couture and high-end dress designer.

Guo's designs carry strong Chinese style, from embroidery to traditional patterns. But the traditional elements merge perfectly with modern influences. She also combines oriental flavor with Western cutting styles perfectly.

She has designed gowns for hostesses of China Central Television's annual Spring Festival Gala for several years. She was also the designer of the beautiful ceremonial dresses used in the 2008 Olympic Games in Beijing. As chief designer and founder of the *Rose Studio Haute Couture*, Guo designed gowns for A-list stars, such as Zhang Ziyi and Song Zuying, for their biggest appearances.



banks and have only allowed four developed regions, including Shanghai and Guangdong, to issue bonds directly on a trial basis last year.

But due to a lack of direct financing channel, local governments circumvent the rules by setting up thousands of financing vehicles to raise funds.

7.56 trillion yuan

China's credit card transactions totaled 7.56 trillion yuan (\$1.2 billion) in 2011, up 47.95 percent from a year earlier, according to the China Banking Association

758.3 billion yuan

China's online third-party payment market reached 758.3 billion yuan (\$120.49 billion) in the first quarter of 2012, soaring 90.9 percent year on year, according to Analysys International, a Beijing-based Internet information provider.

THIS WEEK WORLD



XINHUA/AFIP

Russian President Vladimir Putin attends a ceremony commemorating those killed in World War II at the Tomb of the Unknown Soldier in Moscow on May 8, the day after his inauguration

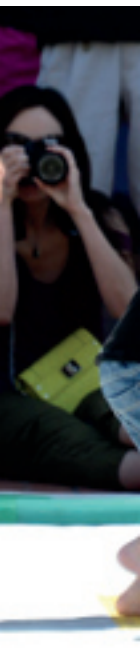
RUSSIA



XINHUA/AFIP

HONDURAS

Policemen guard at least 400 kg of cocaine seized in La Mosquitia, on the Caribbean coast of Honduras, on May 7. Honduran authorities confiscated more than 22 tons of cocaine last year





XINHUA/AFIP

Workers inspect the Heglig oil facility after Sudan started pumping oil again from the war-damaged oilfield on May 2, following the withdrawal of South Sudanese troops from the area

SUDAN



XINHUA

A man exercises with his prosthetic legs at the Orthopedic Center of the International Committee of the Red Cross (ICRC) in Kabul on May 8, the World Red Cross and Red Crescent Day. The ICRC has worked in Afghanistan for 25 years

AFGHANISTAN



XINHUA/AFIP

THE UNITED STATES

Three-time World Sumo champion Byamba demonstrates Sumo moves with a kid in Los Angeles, California on May 5



XINHUA/AFIP

Syrian women show their ink-dipped fingers after casting votes in the first parliamentary elections under Syria's new Constitution in Damascus on May 7. The new Constitution ended the monopoly on power of President Bashar al-Assad's Baath Party created a multi-party system

SYRIA

PRODUCTIVE DIALOGUE

Mutual interests between China and the United States make them more interdependent By Ding Ying

It seemed a traditional belief that two major powers must confront each other. Now China and the United States are the two biggest economies in the world. But they are actively working to build a new type of relationship by deepening mutual trust, mutual respect and win-win cooperation because today's world is different. Their efforts are visible under the framework of China-U.S. Strategic and Economic Dialogue (S&ED).

Today, China and the United States face the fact that their common interests and competition are interwoven. How to build relations is the core problem that China and the United States should work together to solve, said Zhao Kejin, a specialist in foreign studies at Tsinghua University. He pointed out that complicated changes in international political and economic situations provide opportunities for development of the bilateral relationship and inject great impetus into the latest S&ED, which is the most important political experiment for building a new relationship between the two powers. "The two sides' cooperation is getting more practical," Zhao said.

The fourth round of the S&ED, which was titled Promote Win-Win Cooperation and Build a New Type of Relations Between Major Countries, was held in Beijing on May 3 to 4, with 67 concrete results achieved. The dialogue framework has been an important cooperative platform between the two sides. Chinese Vice Premier Wang Qishan said the two sides have reached 218 cooperative results during the past three years since the framework was established, which brought factual benefits for both nations.

More Win-Win

Economic cooperation has always been a focus of the relationship. Trade and economic

relations based on win-win cooperation serves as glue pasting the two countries together. Now China is seeking an economic transformation, and the United States is in urgent need of economic revival, which made this year's dialogue fruitful.

Under pressure of the coming presidential election, U.S. President Barack Obama's administration hopes to realize economic revival as soon as possible. Its major overseas helper is China. Close China-U.S. economic cooperation is of strategic significance to such an economic revival, said Zhao, explaining that China's influence is decisive especially to Washington's plan to increase exports.

Ding Yifan, Deputy Director at the Institute of World Development of the

Development Research Center of the State Council, pointed out the U.S. exports to China have been the backbone of U.S. foreign trade in recent years. U.S. trade volume to China has almost doubled since 2009. The growth speed is about twice its export growth to other markets. In 2011, the U.S. commodity and service exports to China reached \$130 billion, providing over 600,000 job opportunities to Americans.

"You have to look at the trend line, not just the headlines. That is especially true in the China-U.S. relationship," said Secretary of State Hillary Clinton at the dialogue. "The trend is clear. Our country is growing more interdependent. So we need to build a resilient relationship that allows both of us thrive and meet our regional and global responsibilities."

Achievements of S&ED

Strategic Dialogue:

- Promoting high-level exchanges and communication;
- Maintaining bilateral dialogues and consultations on issues including security, human rights, arms control, non-proliferation, legislation, law enforcement and marine safety. The two sides agreed to hold a human rights dialogue in Washington in the coming summer;
- Enhancing communication and cooperation while coping with regional and global challenges, world events and hotspots;
- Boosting bilateral cooperation.

Economic Dialogue:

- Strengthening macroeconomic cooperation. China promised to continue its currency exchange rate reform. Meanwhile, the U.S. made commitments such as chang-

ing economic growth pattern, cutting off its financial deficit by at least \$5 trillion within the next 10 years;

- Encouraging open trade and investment; China agreed to increase the amount of money that foreigners can invest in the domestic capital market. The United States undertook to promote exporting hi-tech products for civilian use to China, and be more active when dealing with Chinese enterprises' investment applications;
- Making joint efforts on international rule and global governance;
- Pushing forward stability and reforms of the financial market;
- Reinforcing bilateral economic relations under the framework of the China-U.S. Strategic and Economic Dialogue.

(Source: Xinhua News Agency)



THE MOMENT: (From left to right in front) U.S. Treasury Secretary Timothy Geithner, Secretary of State Hillary Clinton, Chinese Vice Premier Wang Qishan and State Councilor Dai Bingguo at the fourth round of China-U.S. Strategic and Economic Dialogue in Beijing on May 3

The two sides reached agreements on promoting free trade and intellectual property protection, showing their common concerns. Ding pointed out that China is worried about the recently-showed trade protection in the United States. The United States established a trans-departmental trade law enforcement center targeting at Chinese products. And the U.S. Congress amended the country's Countervailing Act, and added some Chinese enterprises to its antidumping and anti-subsidy lists. Under that background China hopes the agreement can help to maintain the bilateral trade and economic relationship on a good trend.

Ding pointed out that the United States has been focusing on China's intellectual property protection. However, he said, China also has the demand of protecting its intellectual property. With the development of China's economy, the two sides have more common needs on this point. Statistics show that China's ZTE Corp. was the world champion of applying for the most patents in 2011. And another Chinese enterprise, Huawei, was the third. Chinese enterprises

also have urgent needs to protect their intellectual property, he said.

Trust and respect

Besides economic agreements, the two sides reached consensus on strategic fields, such as strengthening communication and cooperation in enlarged areas. All these efforts are targeted at building a new type of relationship between major countries based on mutual trust and mutual respect. "To build a new type of relationship between China and the United States, we need to trust each other," Chinese President Hu Jintao said at the opening ceremony of the S&ED.

Zhao Kejin pointed out that both the space and significance of their cooperation are tremendous. As the two most influential powers, neither of them can shift responsibility to world peace and development. During this year's dialogue, the two sides also held exchanges on global events.

The good atmosphere of the dialogue framework has spread to the military communication between the two sides. Right after the dialogue, Chinese Defense Minister

Liang Guanglie visited the United States and reached several agreements with his U.S. counterpart Leon Panetta on developing bilateral military relations. Jiang Shaoliang, a researcher at the Military Science Academy, said this interaction is of special significance. The military communication will bring the bilateral relationship onto the track of healthy, comprehensive, multi-field and high-level development. He added that Liang's visit helped the two armies enhance common understanding while demolishing misjudgments, which is crucial for both sides.

Experts said that building a new type of relationship between the two powers based on mutual respect is the key to the China-U.S. relationship.

Zhao said there are three factors to the relationship: maintaining the positives trend of dialogue and cooperation, pushing forward the frank dialogue on sensitive events, and deepening their mutual trust on strategic problems. ■

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BUILDING ON PAST SUCCESS

The Strategic and Economic Dialogue continues to strengthen Sino-U.S. relations

By Clifford A. Kiracofe

Positive U.S.-China relations are necessary for the constructive transformation of the present international system. The U.S.-China Strategic and Economic Dialogue (S&ED) process can play an important role, but domestic politics, or international politics, must not be allowed to derail the development of constructive and peaceful relations between Beijing and Washington.

Given world trends, it is clearly in the national interest of the United States to foster a positive, constructive, and stable relationship with China. A multi-polar world is emerging and Washington needs to respond appropriately in order to safeguard American national interests and to promote a peaceful and prosperous world order.

Transition to a multi-polar world

A 500-year period of Western imperialism and colonialism has ended. It is now time, in this new century, for the development of a peaceful and prosperous Pacific community within a transformed international system. This will no doubt be a long process, but a worthy vision for it needs to be set in place in our day.

The bi-polar Cold War international system ended in 1991, and since that time the world has been in a difficult transition phase to a new multi-polar system. A successful transformation requires creative input from all concerned, particularly the major powers, so that all can feel comfortable with, and prosper within, a new modern and progressive international system.

The U.S.-China relationship is a critical factor in world politics today. Actions by powers outside the Pacific region, or inside it, which disrupt relations between Washington and Beijing must not be permitted. Washington must firmly rebuff and reject third-party actions which would derail this essential relationship.

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Some may ask: Is Washington really ready to engage in a sincere effort with other major powers to effect such a transformation of the international system and to effect the development of a Pacific community? Will Washington sincerely engage Beijing on the basis of mutual benefit and mutual respect?

These are fair questions and they are questions Americans themselves should be asking about the intentions of the White House and Congress. The American people are no different from any others in their desire for peace and prosperity. The issue is the quality and competence of American leadership.

American leaders have not made it clear to the American people that a multi-polar world is emerging and that the United States must find its proper place and role in it. Instead, many leaders unrealistically cling to outdated Cold War perspectives and to foreign policy concepts based on hegemony.

As for the U.S.-China relationship, American leaders have failed to take a bipartisan stance and to support a pragmatic non-ideological policy of long-term constructive engagement and cooperation. At election time, Democrats blame China for job losses at home while Republicans blame China for security threats. China is blamed by both parties for allegedly unfair trading practices, currency

manipulation, and a raft of other matters.

Cooler heads with clearer vision are needed in Washington where powerful special interests meddle in U.S.-China policy and impair our long-range national interests.

One obstacle to a sensible U.S. policy is the persistence of outdated global perspectives in influential political and policy circles. In the United States there are different perspectives about the emerging international system and different policy prescriptions with respect to Washington's role today and in the years to come. The dominant perspective still clings to an outdated Cold War perspective and even reaches back to the global crusade for democracy envisaged by President Woodrow Wilson (in office from 1913-21). Interventionism was part-and-parcel of Wilsonian policy, and there are those today who see this as a model.

Both political parties in the United States are, at present, influenced by factions who share such outdated perspectives and who advocate a policy of hegemony. Advocates for such a policy often cloak the underlying objective of strategic dominance, or primacy, in the phrase "leadership." Intervention is said to be for "humanitarian" purposes.

In recent months, there have been a media blitz and exaggerated rhetoric about a so-called "return to the Pacific," President Barack Obama as the "first Pacific president," and an "American Pacific century." But, as is well known, the United States has had a presence in the Asia Pacific since 1784 and the voyage of the U.S. trading ship *Empress of China*.

Our first "Pacific president," under the republic, was Thomas Jefferson (in office from 1801-09). He dispatched the famous Lewis and Clark Expedition to scout the new Louisiana Purchase territory and to find a way to the Pacific Ocean to lay the foundation for our future commerce in the Pacific region. President James K. Polk (in office from 1845-49) later firmly established our Pacific presence by the acquisition of California and the favorable settlement of the Oregon question.

In our time, President Richard M. Nixon

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(in office from 1969-74), who was born in California and who served in the Navy in the Pacific during World War II, boldly continued America's traditional presence in the Pacific with the historic opening to China. The important contributions of President Jimmy Carter (in office from 1977-81) to the normalization process, and his continued positive interest in America's relationship with China, must be applauded as well.

Unfortunately, today the positive attitude toward China of Presidents Nixon and Carter is challenged by those who advocate a policy of confrontation and of forward containment of China. Coercive diplomacy as well as political, psychological, and economic warfare are seen as appropriate tools for a policy of confrontation with China.

Rather than work toward a cooperative concert of great powers in a multi-polar world, there are those in Washington who advocate organizing and controlling a so-called "concert of democratic states" to confront so-called "authoritarian powers," meaning China and Russia.

Rather than work toward a cooperative, harmonious, and prosperous Pacific community, there are those who advocate various mechanisms for the militarization and securitization of the Pacific aimed at hard containment of China.

Four decades and two wars on, it is high time for American leadership to come to its senses and devise a systematic, comprehensive, and integrated national strategy for our country to meet the challenges of the coming decades of transition and transformation of the international system.

What should be done?

A positive, constructive, and stable state-to-state relationship between China and the United States is one critical directionality which must be developed and maintained. To this end, the process of dialogue at all levels between China and the United States is fundamental.

Today, fortunately for the Chinese and American people, both sides are developing this dialogue at various levels as the recent U.S.-China S&ED underscores.

This fall, China will have a once-in-a-de-

cade leadership change and thus continuity in policy can be maintained when desired. The United States, however, will have presidential elections in 2012, 2016, and 2020. Special interests and other domestic factors can and do impact negatively on policy formation and policy continuity.

The economic dimension of the U.S.-China relationship is of vital importance to both sides. Washington often calls on foreign capitals to act "responsibly." But does Washington act responsibly when it comes to financial matters?

The global international financial crisis which erupted in 2008 was triggered by the toxic mortgage loan catastrophe which began in California. This financial crisis continues today where Europe, in particular, is in dire straits.

Washington has yet to seriously address the severe problems in the U.S. financial system. In large part, the problems stem from the move in Congress in the late 1990s to deregulate banking by repealing the Depression-era Glass-Steagall Act. The old legislation from 1933 separated commercial bank operations from speculative investment bank operations, thus promoting a sound banking system.

By repealing this legislation which protected the public interest in a sound banking system, the speculators and casino capitalists of Wall Street were able to wreak havoc at home and globally. Clearly, Washington needs to reinstate the Glass-Steagall Act in its entirety to be credible internationally and to protect the American people from further financial instability and possibly severe inflation.

It is certainly no wonder that, in recent years, confidence in Asia has been shaken with respect to Washington's leadership in the international financial area.

Under such circumstances, it is logical that Asia-Pacific nations now wish to protect their national capital markets and financial systems from various storms, contagions, and all the rest that goes with unregulated speculative activities of the casino capitalists of Wall Street, London, and other financial capitals.

Building a peaceful and prosperous Pacific community can benefit other regions of the world. The Pacific community has its role as the world's primary zone of stability and economic growth. Protecting the economic interests of all

stakeholders in the Pacific region will contribute to the development of a harmonious, confident, and vibrant community.

As to strategic matters in the Pacific region, unnecessary and inappropriate militarization and securitization must be avoided. Effective measures must be put into place to prevent conflict and unnecessary wars. Provocative actions and policies are counterproductive.

Washington, for its part, must avoid further provocation with regard to the Taiwan question, an internal Chinese matter which some wish to use to derail U.S.-China relations.

It is high time that Washington revise legislation and policies on this issue. Sticking to the spirit and letter of the three communiqués is a good starting point, but legislation must be updated to reflect current realities and national interests. Pandering to the Taiwan lobby, among others, is counterproductive.

There is no reason that South China Sea matters cannot be solved through diplomacy. Militarization of the issue can be counterproductive. Washington needs to refrain from provocative actions while at the same time retaining its position that this area be an open sea, not a "mare clausum," through which maritime traffic has a peaceful right of passage under international law.

Direct dialogue between the Chinese military and the U.S. military is essential to developing a constructive overall state-to-state relationship. From direct dialogue and exchange of views can come ideas and proposals for mutually beneficial joint activities. Provocative actions by Washington on the Taiwan issue, in particular, can impede the development of relations and, unfortunately, special interests which seek to manipulate this issue in Congress and in the executive branch.

The U.S.-China S&ED is a key element in state-to-state relations, and it is to be hoped that additional dialogue develops at the people-to-people level. A worthy vision of a Pacific community within a transformed international system must be created by all those concerned with the peace, harmony, and prosperity of the region. ■

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