



# CHINA: THE BALANCE SHEET

## An Update

Center for Strategic and International Studies ■ Washington, D.C.

A Joint Project with the Peterson Institute for International Economics



### About the Project

The China Balance Sheet is a joint multi-year project by CSIS and the Peterson Institute. The first phase of the project culminated in spring 2006 with the book: *China: The Balance Sheet*, an objective and accessible analysis of the many issues surrounding the challenge of an emerging China.

The project recently completed its second phase, which involved the release of a compendium of papers addressing a range of issues crucial to the understanding of China and its future at a major conference on May 2, 2007. The project is currently in its third phase, which will feature the release of a new book combining analysis and policy prescriptions in 2008.

The project is chaired by C. Fred Bergsten, director of the Peterson Institute, and John J. Hamre, president and CEO of CSIS. The primary authors of *China: The Balance Sheet* are Fred Bergsten, Bates Gill, Nicholas R. Lardy and Derek Mitchell.

### In the News

- China: The Balance Sheet was chosen by the National Chamber Foundation as one of the 2007 Top Ten Books that Drive the Debate. The National Chamber Foundation (NCF) is an independent, non-profit, public policy think tank affiliated with the U.S. Chamber of Commerce and the list is chosen by leading think tanks, business leaders, and policy experts.
- The project was referenced by Chinese Vice Premier Wu Yi in a commentary in the *Wall Street Journal* in May 2007 entitled "It's Win-Win on U.S.-China Trade."
- A review by Pieter Bottelier in *Eurasian Geography and Economics* calls the book "a significant and very welcome contribution to the ongoing China debate and a useful guide for policy makers concerned with China. It is realistic, insightful, balanced and reasonably comprehensive."
- "Rebalancing Economic Growth," Nicholas Lardy's paper featured in the compendium, was referenced in Martin Wolf's article "The right way to respond to China's exploding surpluses" in the May 29<sup>th</sup> *Financial Times*.

### Project News

#### What's Next: The Third Phase

The China Balance Sheet project has wrapped up its second phase and begun work on the third, which will feature the publication of a new book. The book will address salient questions regarding Chinese domestic and foreign policy and discuss and prescribe a course of action for the U.S. and China. Topics to be addressed include China's military modernization, the state of center-local relations, and China's exchange rate policy. The book will be published in late spring/early summer and will be released at a major conference.

#### News

- The May 2<sup>nd</sup> conference, at which the compendium was released, was an overwhelming success. U.S. Department of Treasury Secretary Henry Paulson, former Deputy Secretary of State Robert Zoellick and Microsoft's Chief Research and Strategy Officer Craig Mundie provided remarks. The conference was covered by Forbes, the State Department's USINFO, the Beijing Review, the Associated Press, Xinhua, and Bloomberg. More details about the conference, including the summary and papers are available online at [www.chinabalancesheet.org](http://www.chinabalancesheet.org).
- Charles Freeman, managing director of China Alliance and former Assistant U.S. Trade Representative for China Affairs, will replace Dr. Bates Gill as the Freeman Chair in China Studies at the Center for Strategic and International Studies. Under Mr. Freeman, the Freeman Chair will continue its involvement in the China Balance Sheet Project. Best of luck to Dr. Gill in his new role as Director of the Stockholm International Peace Research Institute (SIPRI).
- On May 21st, 2007, the CSIS Congressional Forum on China presented a briefing on the topic of "The U.S-China Strategic Economic Dialogue: Prospects for Success and Implications for U.S-China Relations." Fred Bergsten, Nick Lardy, and Bates Gill discussed the topic with an audience made up of Hill staffers and members of the media.
- Visit the website, [www.chinabalancesheet.org](http://www.chinabalancesheet.org), for a regularly updated source of background papers and news articles on issues related to China and the China Balance Sheet project.



Secretary Henry Paulson at the May 2 conference at the Peterson Institute

For more information, or to be added to the newsletter mailing list, please visit our website at [www.chinabalancesheet.org](http://www.chinabalancesheet.org) or contact Eve Cary, project coordinator, at [ecary@csis.org](mailto:ecary@csis.org) or at 202-775-3188.

## China: The Balance Sheet: What the World Needs to Know Now About the Emerging Superpower

### Worldwide Distribution

- *China: The Balance Sheet* ranked #15 on the *Foreign Affairs* best seller list.
- The book ranked #254 on the Amazon best seller list in April, around the time of the Hu Jintao visit- an unusually high rating for foreign policy book.
- Nearly 20,000 copies have been sold, including more than 2,000 copies overseas.
- Numerous U.S. corporations have purchased multiple copies of *China: The Balance Sheet* to distribute to their top executives, including United Technologies, Merrill Lynch, and Boeing. The book has also been assigned at several major universities, including Georgetown University and Boston University.
- CSIS and the Peterson Institute created convenient, attractive binders, which include one-page summaries of all the key issues addressed in the book. They were distributed to hundreds of Members of Congress, the press, the diplomatic community, business executives, and other interested parties.
- The project website [www.chinabalancesheet.org](http://www.chinabalancesheet.org) has been widely praised by media, students, and policy experts and includes the one-page summaries, supplementary data and charts, and links to important external resources.
- The book will be published in Chinese, Korean, and Russian.

### Reaching Influential Decisionmakers

- Deputy Secretary of State Bob Zoellick praised the book as a "very concise and useful framework for thinking about the relationship" and as "highlighting the key challenges we'll that be facing."
- Secretary of Treasury Henry Paulson informed Dr. Bergsten that his copy of *China: The Balance Sheet* was "never far away" and that he used it as a reference for his work on China trade issues.
- Senator Chuck Hagel (R-NE), former co-chair of the CECC, has personally thanked CSIS president and CEO John Hamre for the book, stating that it is a "resource for the CECC in its work on building a more constructive relationship with China."
- Deputy Secretary of Commerce David Sampson stated that the book is an "important contribution to the current China policy dialogue...The book will be helpful not only to me, but our entire senior leadership at Commerce as we engage our counterparts in China."
- NDU president Lt. General Michael Dunn purchased nine copies to distribute to each member of the Joint Chiefs of Staff.
- Authors personally briefed Federal Reserve Chairman Ben Bernanke and senior members of the Bush administration, including Assistant Secretary of State Chris Hill, Deputy Under Secretary of Defense Richard Lawless, NSC Senior Director for Asia Dennis Wilder, and NSC Senior Director for International Economic Issues Faryar Shirzad.
- Others briefed include: Members of Congress or their staff from the Senate Foreign Relations Committee; Senate Finance Committee; House International Relations Committee; House Permanent Select Committee on Intelligence; Senate GOP Policy Committee; and the Congressional-Executive Commission on China (CECC).
- The China Institute of Contemporary International Relations (CICIR) has noted that it is translating the book for internal use by the Chinese leadership, including President Hu Jintao. Dr. Hamre personally gave a copy of the book to President Hu during his April 2006 visit to the United States.

### International Media Praise

- The Economist praises *China: The Balance Sheet* as "one of the most lucid and well-argued recent books on how the West should respond to China's rise...a convincing and balanced case."
- The Washington Post calls *China: The Balance Sheet* "a pithy, 161-page overview meant to influence the way people here think about people and institutions over there."
- The Asian Review of Books calls *China: The Balance Sheet* "an excellent and cogent overview of China's macro-economic and political situation."
- The Financial Times says, "This book persuasively argues it is in America's interest to coax rather than confront China."
- The Wall Street Journal states *China: The Balance Sheet* is "a book that offers a comprehensive and penetrating analysis of the relationship."