

SINO-AMERICAN RELATIONS

CLINTON ADMINISTRATION'S POLICY OF CONSTRUCTIVE ENGAGEMENT



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CERTIFICATE

Certified that the dissertation entitled "SINO-AMERICAN RELATIONS CLINTON ADMINISTRATION'S POLICY OF CONSTRUCTIVE ENGAGEMENT" submitted by MR. ASEEM CHAUDHARY in partial fulfilment for the award of the degree of MASTER OF PHILOSOPHY (M.Phil.), has not been previously submitted for any other degree of this or any other university. This is his original work.

We recommend that this dissertation be placed before the examiners for evaluation.

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Dedicated to.....


Maa, Pita, Guru.....

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The present dissertation is a modest attempt to understand an extremely complex issue of contemporary international politics, that is the US-China relations. The present author does not claim any expertise in explaining such a complex international issue. However, he has made an effort to collect some of the primary source materials and a number of secondary source materials and with the help of the supervisor Dr. Chintamani Mahapatra's insight into this project, sought to write this dissertation. The first chapter of the dissertation seeks to explain the meaning and objective of the Clinton Administration's policy towards China. The second chapter tries to highlight the complexity of the foreign policy making process in the United States. While the author has not been able to focus on all the agencies of the US government, a preliminary attempt has been made to emphasize the role of the Congress in the making of US policy towards China. Several of the contentious issues between the United States and the People's Republic of China have been discussed in the third chapter. And, finally, the concluding observations on the subject have been made.

Almost one year's effort has gone into the writing of this dissertation. The author does not consider it as an exaggeration to profusely thank Dr. Chintamani Mahapatra, my supervisor, for his insightful comments and for spending a lot of his valuable time in numerous discussions on the subject. My teachers, in the Centre for American and West European Studies, have all along been a source of encouragement. I would specially like to thank, in this regard, Prof. Christopher S. Raj. My friends, Chander, Shamim, Rajeev, Zia, Kannan, Juhi, Mukesh, Rahul and Ramesh, have extended their support whenever it was necessary. Last, but not the least, I thank the staff of the JNU library, IDSA library, Sapru House Library and the New Delhi-based American Central library.

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INTRODUCTION

"China will choose its own destiny. But we can influence its choice by making the right choice ourselves -- working with China where we can and dealing directly with our differences where we must. Bringing China into the community of nations rather than trying to shut it out is the best way to advance our own interests".

-- President Bill Clinton

Washington Post, June 11, 1998

"China is neither our enemy nor our ally. There are plenty of things to hate about its behavior, but there is good reason to push it to do better. Its government is not relentlessly inimical to us. Beijing has been constructive in managing the India-Pakistan nuclear arms race and has contributed to global economic stability during Asia's financial crisis. The issue before the U.S. is not whether to engage the Asian giant; it's how. China is a tough interlocutor, and Clinton has got to be--and be seen to be--just as tough. It is not naive but self-interested for the U.S. to use all its clout to make tomorrow's China less of a worry than today's."--Democratic Senator,

Joseph Lieberman

The Washinton Post, June 10th 1997.

After Mao Tse-tung's Communists took over China in 1949, the United States came to regard the Communists as the devil incarnate, and often demonized "Red China." When communism spread to other Asian countries, President London Johnson justified the war in

Vietnam as an attempt "to help prevent Chinese domination over all of Asia."¹

Chinese-American relations did not improve until the war ended, although President Richard Nixon privately signaled China that the United States would accept "*peaceful coexistence*" with the Chinese. Mao in return said he would welcome a visit by the American president, and an exchange of table tennis teams broke the ice for Secretary of State Henry Kissinger to make a secret visit to Beijing in the summer of 1971. Nixon's trip to China in 1972 laid the foundation for the gradual improvement of Sino-American relationships.

The basis of U.S.-China policy today is the Shanghai Communiqué signed during President Richard Nixon's historic trip to China in 1972, which normalized relations between the two countries. However, in 1979, it was that the United States formally recognized the government of the Peoples Republic of China, as the sole legal government of China. Since that time, China and the United States have signed many bilateral agreements in the fields of scientific, technological, cultural exchange, and trade relations.

Since Nixon every president remained focused on further strengthening this diplomatic opening. China and the USA edged even closer during the tenure of President Reagan, the staunch 'commie-hater'. During the Reagan era, the US was busy supporting the Afghan Mujahideen as it fought against the Soviet Union in Afghanistan, and a common political front with China served the US strategic objective of ousting the communist superpower from Southwest Asia. Even that

¹ David L. Boven (editor), Edward J. Perkins (editor), "Preparing America's Foreign Policy for the 21st Century," (University of Oklahoma press: Norman, 1999), p. 46.

relentless cold warrior Ronald Reagan said in 1984, *"I remain confident that Chinese-American cooperation will grow and strengthen in the years ahead."*²

Sino-American relations are highly volatile. In both, Beijing and Washington, discussion of Sino-American relation is focussed on the adverse consequences of estrangement and strategic hostility rather than the advantages of friendship and entente. Some analysts in both China and the United States now foresee a twenty-first century dominated by contention.

As the millenium approached, few doubted that China and the United States would continue to be the important actor in international politics. But if history is anything to judge by, establishing a sound relationship between the two will not be an easy affair. Throughout the last 50 years Sino-American relations have been uneasy, marked by hostility as well as co-operation.

Hostility and mistrust run deep even today. During its first two decades, Communist China was deeply hostile to the United States, considering it an 'imperialist enemy of the people'. China's role in the Korean War led to a US policy of "containment" towards China. But in the late 1960s and early 1970s President Nixon and his foreign policy team realized that the growing distance between the two great communist countries, China and the USSR, offered the United States a unique opportunity to deal with the spread of Soviet Influence.

² Ibid., p. 58.

The means used for developing contacts between the two countries was cultural. Through games of ping-pong in 1970 and '71, the two countries became used to one another. That closer relationship led to President Nixon's historic 1972 trip to China. During the visit Nixon signed the Shanghai Communiqué, which signalled the adoption of a 'one China policy', a policy to which it continues to adhere. The United States still acknowledges that there is only one China, and that Taiwan is a part of China.

During the 1970s relations slowly improved between the two countries through cultural interchange and a number of visits, including President Gerald Ford's trip in December 1975. In 1979 there was a further move forward in relations under President Carter as the US established relations with the People's Republic of China and transferred diplomatic recognition from Taipei to Beijing. The 1980s saw some ups and downs with a number of disputes mainly centering on Taiwan although there were also visits like that by Ronald Reagan to Beijing in 1984. The Tainamen Square incident of 1989 and the collapse of the Soviet Union in 1991 led to a reassessment of China policy by the American policy makers

Political trouble began, since the 1989 crackdown in Tiananmen Square, with little agreement among policymakers over the appropriate direction of U.S. policy. President George Bush first imposed sanctions on China after Tiananmen, but later sought to protect U.S. interests in the face of widespread Congressional opposition. In 1993, U.S.-China relations entered a new phase when President Bill Clinton approved a policy of "comprehensive engagement," emphasizing high-level dialogue instead of trade

sanctions and other punitive measures. In 1994, he decided to "delink" the extension of China's MFN status from its human rights record, indicating a major shift in U.S. policy. The Administration had earlier favoured the use of economic leverage to promote democratic ideals in China.

"While one could argue that in the absence of the Soviet challenge it was easier for Washington to act tougher on China than was the case earlier, it was growing American economic stakes in China that had begun to have a more determining influence on the US policy towards China,"³ as has been argued by Chintamani Mahapatra. The unprecedented economic success of China created a different logic for the continuation and further improvement of cooperative ties between the two countries. Along with the considerable growth in the trade and investment relationship between China and the United States, there has emerged a new business constituency within the United States to protect and promote friendly bilateral ties. The champions of democracy and human rights within the governing circles in Washington and in the circles of NGOs in the US appeared to be growing, but had not reached overwhelming influence in weakening the pro-China business lobby groups.

Notwithstanding growing trade and investment ties, US-China relations continued to be marked by tension. By mid-1995, after a private visit to the United States by Taiwan's President, Lee Teng-hui, U.S.-China relations appeared to be at their lowest point since the establishment of full diplomatic relationship in 1979. Tensions

³ See, Chintamani Mahapatra, "The Eagle and the Dragon After the Cold War," *Strategic Analysis*, May 1996, pp. 231.

reached their zenith in March 1996 when China conducted ballistic missile exercises off the coast of Taiwan and the United States responded by sending two carrier battle groups to the area. U.S.-China relations have also been marred by continuing controversy over human rights; China's questionable non-proliferation commitments (particularly its assistance to Pakistan's nuclear weapons and ballistic missile programs) and allegations of Chinese espionage activities in the US. Investigations are continuing into allegations that the Chinese government was involved in questionable financial contributions to the presidential and other political campaigns in the US in 1996. Although the Senate Committee on Governmental Affairs, chaired by Senator Fred Thompson, completed its investigations into the campaign allegations in February 1998, new information has since come to light.

Meanwhile, both U.S. and Chinese leaders sought to improve the political relationship in 1997 and 1998. High-level contacts and, political dialogue, resumed, culminating in the October 1997 visit of Chinese President Jiang Zemin to Washington, and June 1998 visit by President Clinton to China. Clinton's professed policy of "constructive engagement" with China, however, remained highly controversial even as accidental bombing of Chinese Embassy in Kosova by US-led NATO forces and issues related to Chinese nuclear espionage posed considerable hurdles in improvement of US-China relationship.

The study aims at understanding President Bill Clinton's policy of engagement which largely seeks to achieve three goals:

- (i) to elicit cooperation from China on a broad range of issues of concern to the United States and the international community;
- (ii) to adopt policies towards China that would move it towards political pluralism and create a market economy consistent with international trade standards; and
- (iii) to integrate China into the international strategic order as a status quo power that would threaten neither its neighbours (including Taiwan) nor global security interests of the US.

The scope and focus of the present study is primarily confined to the Clinton Administration's 'comprehensive and constructive engagement' policy with regard to China. It evolved out of the need to repair the deteriorated relations that had existed since 1989, and to provide an overarching framework to guide America's ties with China. Since the Tiananmen massacre of that year Washington's China policy had been captured by a host of special interest groups, with the result that the Clinton administration found itself pursuing a fragmented policy that was largely reactive to independent domestic interests. Competitive and contentious elements came to dominate the relationship, restricting cooperation in important areas where national interests converged. The new policy of "constructive engagement" was thus driven by the need to restore the co-operative relationship and to work together where possible.

The methodology of the proposed research would be historical, descriptive and analytical in nature. This study would be done on the basis of data collected from certain primary source materials, but mainly from the secondary sources, such as books and articles from various periodicals, journals and newspapers.

CHAPTER 1

POLICY OF CONSTRUCTIVE ENGAGEMENT

*"Engagement is not appeasement. It does not mean that the United States blithely acquiesces to policies with which we disagree. It does not mean that we ignore China's serious and ongoing human rights violations, and it does not mean that we turn our head when China exports dangerous weapons technology to dangerous regimes. "*⁴ ---

Secretary of Defence

William H. Perry

President Clinton campaigned against former President George Bush's China Policy as "*coddling dictators*". For the first eighteen months of his administration, President Clinton, premised his administration's interactions with Beijing on addressing concerns of human rights abuses foremost. In the economic arena, in May 1993, he renewed China's Most Favoured Nation Trading status. In doing so, however, he warned that he would not do so again in 1994, unless Beijing satisfied a list of American demands for progress on human rights issues. Beijing moved a little, but not enough, finding it hard to believe that Washington would sacrifice economic interests of such great magnitude. Meanwhile, the administration, many members of Congress and constituencies, with a stake in China, began to tally up the probable consequences of revoking MFN status and its negative consequences for US - China.

⁴ Secretary of Defence, William H. Perry's speech before the National Press Club, Washington D.C., 2 May 1997.

Revocation of MFN would hurt China, to be sure, but it would hurt the United States too. The position of the American business community in China's increasingly accessible markets would be lost to European and Japanese competitors. American exports to China, especially from high-tech and high-wage paying industries would suffer. Such an eventuality would pose a dilemma for a President who campaigned on promises of creating jobs and renewing American economic competitiveness abroad.

The prospect of Chinese cancellation of purchases of U.S. grain evoked unhappy memories, in the minds of Midwestern farmers and Congressmen, of the Carter administration's '*grain boycott*' against the former Soviet Union, which President Ronald Regan had to quickly abandon. Moreover, Chinese goods that had found a niche among American consumers particularly low-income families, would be available at much higher prices if at all.⁵

Would the impact be confined to bilateral economic relations, for China's economy is now increasingly linked to Hong Kong's and Taiwan's? America's punishment of Beijing would also hurt them. China would likely try to make up, the foreign currency it would lose in trade with the United States, by selling arms in South Asia and the Middle East. Would it serve US interests? In the end, the President Clinton delinked renewal of China's MFN trading status from human rights issues; and proclaimed a new policy of "*constructive engagement*" with China. This policy aims at seeking:

⁵ "Li Lanqing: Does 'Engagement' Mean Fight or Marry?" *Business Week*, 6 May 1996, p. 50.

- Constructive Chinese participation in the UN Security Council and in the resolution of regional conflicts to enhance global peace and security;
- Active participation by China in multilateral nonproliferation regimes, which is necessary to halt the spread of weapons of mass destruction and their delivery systems;
- Working towards a common strategy for avoiding a South Asian nuclear arms race;
- Economic and trade relations with China that would meet U.S. economic interests; such as more open, balanced trade;
- Respect for internationally recognized standards of human rights and the rule of law by China; improved human rights, resumption of talks with the Dalai Lama, and ensuring religious freedom;
- Chinese cooperation on global issues, particularly to combat alien smuggling and narcotics trafficking, and to improve protection of the environment; strategies to combat air, water pollution in China.⁶

According to, *A National Security Strategy Of Engagement And Enlargement, February 1996*: "A stable, open, prosperous and strong China is important to the United States and to our friends and allies in the region. A stable and open China is more likely to work cooperatively with others and to contribute positively to peace in the region and to respect the rights and interests of its people. A prosperous China will provide an expanding market for American goods and services. We have a profound stake in helping to ensure that china pursues its modernization in ways that contribute to the overall security and prosperity of the Asia Pacific region. To that end, we strongly promote china's participation in regional security mechanisms to reassure its neighbors and assuage its own security concerns. In support of these objectives, we have adopted a policy of comprehensive engagement designed to integrate China into the international community as a responsible member and to foster

⁶ Robert G. Sutter, *Shaping Chinas Future in World Affairs: The Role of the United States* (Boulder Col: Westview Press, 1996) p. 86. "Because of its history with both countries, china must be a part of any ultimate resolution of this matter," Clinton said in his speech at the Business Coalition for U.S.-China Trade on June 15, 1997.

bilateral cooperation in areas of common interest. At the same time, we are seeking to resolve important differences in areas of concern to the United States, such as human rights, proliferation and trade. The United States continues to follow its long-standing "one China" policy; at the same time, we maintain fruitful unofficial relations with the people in Taiwan, a policy that contributes to regional security and economic dynamism. We have made clear that the resolution of issues between Taiwan and the PRC should be peaceful."⁷

-- Regional security has always been a key issue in the U.S.-China relations, although US has global commitment. The United States has a long-term interest in peace and stability in Asia and has maintained approximately 100,000 American troops in the Asia-Pacific region. China plays a key role in regional security issues, such as nuclear issue in the Korean Peninsula, settlement of the territorial dispute in the South China Sea; and several others. The United States considered China's support in resolving regional security issues as crucial and desires Chinese involvement in regional security forums like ASEAN (Association of Southeast Asian Nations) Regional Forum and the Northeast Asia Security Dialogue. Role of China and its co-operation are significant in view of several other security, economic and political factors.

ENGAGEMENT STRATEGY

The strategy underlying this new American policy had three main components. First, Washington sought to reinstitutionalize the relationship. Since 1989 the web of inter-governmental exchanges established during the previous decade had unraveled. Contact was minimal and generally restricted to the foreign and trade ministerial channels. High-level dialogue was suspended, various sanctions were

⁷ *A National Security Strategy of Engagement and Enlargement*, Washington D.C., The White House, February 1996, U.S. Government Printing Office, Washington DC, p. 40-41

applied, and normal bureaucratic interaction atrophied. Thus the first step in the new policy of comprehensive engagement was to reestablish regular channels of communication at both high and working levels. From Presidential level to government agencies and departmental level--including commerce, treasury immigration and naturalization, the FBI, and drug enforcement--sent representatives to China to reestablish functional co-operation.⁸

These visits at the high and working levels have facilitated direct communication between the two governments over a number of issues of mutual concern, such as human rights, trade, arms control and proliferation, environmental protection, crime prevention, Taiwan, and regional security. Where the two sides disagree--and these areas are numerous--the reestablished channels permit discussion to narrow and resolve differences.

The second component of the new China policy was to reestablish a strategic dialogue with the Chinese Political leadership and, military establishment. One of the key parts of this process was opening lines of communication with the People's liberation Army (PLA)-- a major player in Chinese politics. The PLA wields significant influence on such issues as Taiwan, the South China Sea and proliferation. And if the U.S. is to achieve progress on these issues, it must engage PLA leaders directly.

By engaging the PLA directly, the US can help promote more openness in the Chinese national security apparatus, including its military institutions. Promoting openness or transparency about

⁸ See: David Shambaugh, "The United States and China: Co-operation or Confrontation?" *Current History*, Vol. 96, No. 611, September 1997, p. 242.

Chinese strategic intentions, procurement, budgeting and operating procedures - will not only help promote confidence among China's neighbours, it will also lessen the chance of misunderstandings on incidents when US forces operate in the areas where Chinese military forces are also deployed.

This reestablishment of mutual military exchanges between the United States and China is an important component of the overall bilateral relationship and serves as a stabilizing force in the Asia Pacific and for global security.

The third objective of comprehensive engagement was to integrate China into the international institutional order. The rationale for this policy goal is that it will be easier to deal with China in multilateral institutions, and that these will help constrain Chinese behaviour that deviates from international law and norms, as well as from American foreign policy interests. Progress has been made in this regard with China's recent accession to a series of multilateral security regimes: the nuclear Non-Proliferation Treaty, the Comprehensive Test Ban Treaty, the Chemical Weapon Convention, and the Biological Weapons Convention. While not a member, China has also essentially adhered to the Missile Technology Control Regime.

These three elements of comprehensive engagement--reinstitutionalization, strategic dialogue, and multilateral integration--are intended to stabilize and deepen a wide range of bilateral relations while further integrating China into the international order and thereby constraining its potentially disruptive behaviour.⁹

⁹Ibid., p. 243.

ENGAGEMENT RATIONALE

Economic Rationale: In the post-Cold War era non-military security factors have occupied a prominent place in the national security and foreign policy priorities of the United States. Sustaining a steady growth of the national economy and the restoration and maintenance of American competitiveness have captured the uppermost place in Clinton's foreign policy agenda. As a result economy has driven Clinton's approach towards China and has provided the fundamental rationale behind his engagement strategy.

China has a quarter of the world's population--a vast pool of potential consumers for U.S. products and services—and a population growth rate that adds the equivalent of one Australia per year, even with severe measures currently in place to limit population growth. If only one-quarter of the Chinese population achieves middle-class status, that portion of the Chinese market will exceed the total U.S. population.

China's growing market economy *"is one of the critical engines propelling the global economy forward."*¹⁰ The annual growth rate of China's economy in real terms has exceeded eight to nine percent per year for over a decade. According to one estimate, if China grows only at an average of 7% in the coming years it will be the largest economy in the world by the year 2030. The World Bank has predicted that China's economy will grow 8%-10% per year until the year 2000

¹⁰ Murray Weiss, "Clinton in China doing the Right Thing," *International Herald Tribune*, 12 December 1998.

and has estimated that China's economic output will reach \$10 trillion by the middle of the next century.¹¹

With this rapid economic expansion, China's market will be increasingly important for United States commercial interests. Seeking to participate in China's rapid economic growth, major multinational corporations from around the world have shown great interest in investing in China. The United States is the third-largest source of such investment, after Hong Kong and Taiwan. Globally, China is second only to the United States as recipient of foreign direct investment. China is now the United States' fifth largest trading partner. Exports to China account for approximately 170,000 U.S. jobs, and the White House says a breakdown in that relationship would cost U.S. consumers approximately \$500 million a year in higher tariffs on such products as shoes and clothing. *"A good relationship with the Chinese not only keeps international anxieties down, it is also good for American business"*¹²

The United States, with its domestic economic growth driven largely by export sector, since the 1980s, has a national interest in the success of Chinese economic reform and development. The growth of the Chinese market, and U.S. access to that market, is an important element in maintaining the future growth and revitalization of the U.S. domestic economy.

These economic factors, as well as an appreciation for the strategic significance of China, convinced the Clinton Administration, in 1994, to disconnect MFN status for China from human rights concerns.

¹¹ "Sino-US Relations," *Washington Post*, 24 June 1998.

¹² "End the Annual MFN Circus," *Washington Post*, 5 May 1997.

"Trade is a force for change in China, exposing China to our ideas and our ideals, and integrating China into the global economy," Clinton said.¹³

There are two main elements to the U.S. approach of "*comprehensive engagement*" as regards the increasingly important U.S--China economic and trade relations: First, the United States seeks to fully integrate China into the global, market-based economic and trading system. China's participation in the global economy will nurture the process of economic reform and increase China's stake in the stability and prosperity of East Asia. Second, the United States seeks to expand U.S. exporters and investors access to the Chinese market. As China grows and develops, its needs for imported goods and services will grow even more rapidly.¹⁴

While US-China trade has been marked by a steady growth even before Clinton entered the White House, it has not always worked as a positive factor in the bilateral relationship. The burgeoning Chinese trade surplus has generated apprehensions in the US and has also created friction in the bilateral relationship. Significantly, America's trade deficit has jumped from \$3.5 billion in 1989 to \$60 billion in 1998. In addition allegation of unfair trade practices and violation of Intellectual Property Rights have also led to US-China friction.

Political and Strategic Rationale: Economics, however, is only one element, though a critical one, in Sino-American relations. As important as economics, however, is the 'strategic rational' for the US-China relationship.

¹³ Joe Liberman, "Honest, Principled and Demanding Engagement", *New York Times*, 25 June 1998

¹⁴ Ke Wan, "Wrong Assumptions about US-China Trade," *The (St. Louis) Post Dispatch*, 30 May 1996, p.7

Assistant Secretary of State, Winston Lord, articulated the basis of Sino-American relations: "We don't want to contain China or isolate it. We want to see China integrated into the world political and economic structure." This view is based on the recognition that China will be one of three or four major poles in the post-cold war international system. To put it bluntly, with some 22% of the world's population, a seat on the UN Security Council, a world's third largest economy, if China (the Napoleon's "awakened giant") is not integrated into the post-cold war system, a viable international system will not exist.¹⁵ In particular, on every strategic issue from post-START arms control to the development of a CTBT, missile proliferation, regional security issues from Southwest Asia to East Asia, and global environmental issues. 'China is one of the principle independent variables.'

U.S. political interests also require more 'positive engagement' with China--what if U.S. "interests" become matters before the Security Council, of the United Nations, in which China, as a permanent member, has a veto? China, by virtue of its size, power and central geographic position, will be a leader in Asia, and the United States has an interest in China exercising positive leadership. Japan, because of its recent history, is incapable of providing such regional leadership, despite its economic power.

The Clinton Administration became aware that, if the current confrontational policies towards China are maintained, or more drastic, misguided policies of sanctions and containment are put in

¹⁵ "US Relations with China: 1995-96 Policy Debate Topic," *Congressional Digest*, August-September 1995, p. 193.

place by the United States, an action-reaction cycle could generate a new Cold War. "China has the capability, not to be a threat to the United States over the next decade, but to be a serious problem or nuisance much like the Soviet Union was in the 1950s and early 1960s, before it developed significant intercontinental attack capabilities."¹⁶

The growing of gap between the developed world and the developing world has the potential to generate an extended North-South confrontation. If the U.S.-China relationship hardens, North-South tensions present an opportunity for China to emerge as the leader of the South and create further complication in the relationship.¹⁷ Neither China nor the United States would benefit from such confrontations.

Security Factors: Apart from these U.S. strategic, economic and political interests that dictate broader engagement with China; U.S. security interests also demanded more positive engagement with China. The United States seeks global and regional stability. Such stability allows the United States to concentrates its energies and resource internally toward repairing and strengthening the domestic formulations of its national power - its economic system, infrastructure, education and social fabric.

A developing China emerging as a major power after its "century of humiliation "can be a force for regional and global stability or a serious destabilizing force.¹⁸ Chinese policies-- on proliferation of

¹⁶ Kim R. Holmes and James J. Przystup, eds., "Between Diplomacy and Deterrence: Strategies for US Relations with China," *The Heritage Foundation, Background No. 1163*, 1997, p. 7.

¹⁷ *Ibid.*, p. 12.

¹⁸ *Ibid.*, p. 4.

weapons of mass destruction and their delivery system, North Korea, relations with Japan, territorial claims along its lengthy land and maritime borders, arms sales in the Middle East, military modernization, etc.-- all have significant influence on whether regional and global stability can be maintained. Thus, positive engagement with China and, facilitating its integration into an evolving regional and global security architecture, became the primary objective of the Clinton administration's China policy to achieve U.S. security interests.

The objective of the United States in all major power relationships is to influence the other power toward policies, which support mutual interests, and, more specifically, U.S. national interests.¹⁹ The Clinton Administration sought to influence Chinese policy to support the maintenance of regional and global security. That stability was considered essential for peace and continued economic growth of the US as well as the Asia Pacific region.

Promotion of Democracy: Even when he was a presidential candidate, Clinton championed the cause of promoting democracy abroad. When he became the President of the United States he did adopt policies aimed at promoting democracy in Latin American Countries and elsewhere. One of the objective of the Clinton Administration has been to influence the domestic political dynamics in China that would bring down the totalitarian regime and make way for democratic structures and norms to take root. His predecessor, George Bush's approach to deal with the issues of human rights and democracy in China didn't appear to be a successful one. In other

¹⁹ Representative Christopher Cox, *Report of the Select Committee on US National Security and Military / Commercial Concerns with the PRC*, 25 May 1999. This report was downloaded from the Internet.

words, Washington could not be able to promote democracy in China by imposing sanctions or isolating it. The method of influencing domestic politics in China would have to be a gradual process. While moderate influence would have to be exerted, direct interference from outside had to be avoided. To effectively pursue such a policy constructive of China was considered important by the Clinton administration.

To the extent the United States has major interests in the internal political and economic development of China. Experience in Asia clearly indicates that economic development and progress has led to growth in a middle class that refuses to accept repressive and non-democratic regimes. Those nations in Asia, that have made the most progress in democratic and human rights reform, have not been those which the United States sought to isolate or sanction; but those with which the United States maintained a policy of positive political, economic and security engagement. Japan, South Korea, Taiwan and Thailand are outstanding examples of successful outcomes facilitated by positive U.S. policy. It is these successes that the Clinton administration seeks to duplicate in China.²⁰

Human Rights: Promotion of democracy was considered important for maintaining individual freedom and basic human rights of the citizenry in China. Clinton argued that there could not have been a better way of promoting human rights other than following a policy of constructive engagement. While, keeping the American national interest in mind and making compromises with China, Clinton did not all together ignore the human rights issues in his dealing with that

²⁰ Testimony of Nicholas Lardy before the Senate Foreign Relations Committee, 22 May 1997.

country. Once he told the Chinese President that "when it comes to human rights and religious freedom, China remains on the wrong side of history."²¹

According to Clinton, "complacency or silence would run counter to everything we stand for as Americans. It would deny those fighting for human rights and religious freedom inside China the outside support that is a source of strength and comfort. Indeed, one of the most important benefits of our engagement with China is that it gives us an effective means to urge China's leaders, publicly and privately, to change course." "Engagement does not mean endorsement," he stressed.²²

International Crime: Having been aware of the growing importance of China in international relations, Clinton understood that Beijing's co-operation was necessary for successfully dealing with a series of international security issues, such as, narco-terrorism, international crime, spread of small arms, growing ethnic tensions, and religious extremism. Absence of co-operation from China, it was thought could create more complication in dealing with those issues. "China can either be part of the solution or be part of the problem," said Clinton.

Environment: The environmental consequences of rapid industrial growth are catching up to China as 80 percent of its major rivers are too polluted for fish to live in -- although people are still using much of that water. Air pollution is even worse, contributing to the emergence of respiratory diseases as China's number one killer. And five of the world's 10 most polluted cities are in China. The

²¹ Speech delivered by President Clinton to the business Coalition for US-China Trade on 15 June 1998.

²² Speech delivered by President Clinton to the business Coalition for US-China Trade on 15 June 1998.



magnitude of the problem could have worldwide repercussions. The U.S. wants to help China develop environmental strategies and provide U.S. technological help to improve air quality and reduce greenhouse-gas emissions.

Taiwan: Last, but not the least, was the importance of the Taiwan factor. While adopting a major shift in the China policy in the early 1970s, it was not easy for Washington to completely abandon Taiwan. Variety of domestic political consideration, national security concerns, and diplomatic factors kept the Taiwan issue alive in US-China relations. It was not possible for Washington to handover Taiwan to China either. Proclaiming a "one-China" policy and continuing ties with Taiwan were bound to create frictions between the continuing superpower the US and the emerging Asian power China. It was argued by the Clinton Administration that one of the best ways to maintain peace across the Taiwan Strait and prevent Beijing from taking military action to unify Taiwan was to constructively engage China.²³

ENGAGEMENT or CONTAINMENT?

The policy of constructive engagement doesn't seem to have a consumer view in the wide spectrum of American political opinion. There are several critics who go to the extent of suggesting that Washington should adopt a policy of containment of People's Republic of China. They are apparently of the view that the 'containment strategy' should not be abandoned even through the

²³ This particular argument was given by Prof. Chintamani Mahapatra during my several private discussions with him.

Soviet Union has disappeared from the political map of the world. After all, there is a 'dual containment' strategy in place against Iran and Iraq. The PRC happens to be a country ruled by the communists. There are other communist countries to such as North Korea and Cuba. They argue: 'why shouldn't there be containment of communism now.'

Those who argue that the U.S. should "contain" China, see a strong, growing China as an implacable 'threat' to America's interest and believe that U.S. should oppose China at every turn. The critics portray the Chinese Communist regime as a strategic threat, commercial danger, political pariah, and morally repugnant dictatorship. They see the Clinton administration's policy as naive, appeasing, and having failed to bring about cooperative behaviour on China's part.²⁴

Administration opponents in the Congress have no shortage of complaints about the Chinese regime's behaviour: its abysmal human rights record and treatment of dissidents; its repression of religious rights; its harsh birth control policies; its large bilateral trade surplus of \$60 billion (in 1998); its export of medium-range ballistic missiles to Pakistan and naval cruise missiles to Iran; its military bullying of Taiwan; its military modernization program; its territorial claims in the South China Sea; its suppression of Tibetan culture and religious life; its abuse of internationally recognized labour standards; its harsh prison conditions and export of goods made by prison labour; and its rollback of Hong Kong's democratic freedoms.

²⁴ See: John Place, "China and MFN," *International Herald Tribune*, 13 July 1996.

Critics say that the policy has failed to bring about positive and constructive behaviour on part of the Chinese. To support this they put forward the "Donorgate" example: whereby China is accused of surreptitiously trying to buy influence through campaign contributions in the 1996 congressional and presidential elections. China is also accused of trying to recruit intelligence agents in the United States government. China's military is further known to have numerous affiliated companies doing business in the United States, conducting industrial and technological espionage, and even smuggling light assault weapons into the country.²⁵

The critics call for a more robust and confrontational policy toward China, but fail to spell out what such a policy would look like. While a confrontational policy might satisfy domestic constituencies in the United States, it would be counterproductive in eliciting cooperation from China.

Firstly, US has vital national security interests in -- limiting the spread of weapons of mass destruction and discouraging China's export of nuclear or missile technology and implementing the NPT, ratifying the CTBT and implementing the framework agreement for dismantling North Korea's nuclear program. A China that feels that US is attempting to encircle it with a containment policy is quite unlikely to provide the co-operation needed to achieve any of these vital security objectives.

Instead, it would likely stimulate a wide range of Chinese behaviour that would work directly against American national interests. China

²⁵ See: William Norman Grigg, "Foreign Policy for Sale," *New Business Magazine*, Vol. 13, No. 3, 3 February 1997, p. 11.

could, for example, increase its sales of missiles and other arms to Iran, Iraq, North Korea, Burma, and other rogue regimes. It could stop its behind-the-scenes help in implementing the North Korean nuclear accord, and could become less co-operative on regional and international security agreements. Beijing could step up political and military pressure against Taiwan, and could further restrict the autonomy and freedoms guaranteed to the residents of Hong Kong.

Secondly, the US also has vital security interests in avoiding an arms race or military conflict in the Asia-Pacific region. A containment policy could stimulate China to accelerate its defense modernization efforts, contributing to regional arms races and increasing the likelihood of military conflict in regional hotspots, like North Korea, the Taiwan Strait, the South China Sea.

Thirdly, the US has vital security interests in maintaining the strength-of her alliances in the Pacific with such allies as Japan, South Korea, the Philippines and Australia. These nations, for their own political and economic reasons, are extremely unlikely to join the US in a containment policy against China, leading to a rupture in her regional alliances.

Fourthly, Washington has vital security as well as economic interests in maintaining the strength of America's economic presence in the Asia-Pacific markets. A containment policy could lead America and China to close their markets to each other, and set back the US efforts to persuade nations throughout the Asia-Pacific region to open, not close, their markets.

And finally, containment would only provoke Chinese opposition to US-led security initiatives in the UN and other multilateral bodies.

Hence, neither a policy of confrontation nor containment would make China conform to the rules of an international system that United States itself desire to evolve. To the contrary it would undermine US national security interests in the world and the Asia -- Pacific in particular.

A columnist, Vernon Loeb, said, "...we can create the relationship we want with China, and if we want to see China as our greatest threat we can certainly make it that, by playing on China's insecurities. I guess I come down where the past six U.S. presidents have come down – on the side of constructive engagement."²⁶

In replying to those who call for change in this China policy, Loeb continued, "they should applaud the President's readiness to abandon, a flawed policy that produced few clear results in China and sowed dissension at home, for one that has real promise of building on our interests in China while pursuing our democratic and humanitarian ideals."²⁷

Fending off critics President Bill Clinton himself argues that a policy of "constructive engagement" toward the world's most populous country "is plainly the best way to advance both our interests and our values."²⁸

²⁶ See: Vernon Loeb, "Don't Break The china", *The Washington Post*, 12 May 1997.

²⁷ Ibid.

²⁸ See : Charles Bagington, "Clinton Braces for Storm in Seeking Renewal of China's Trade Status," *Washington Post*, 3 June 1997.

HOW THE POLICY FARED?

"Change will not come overnight... and it must assuredly not come if we isolate ourselves from China or cut off our relationship." of State,

--U.S. Secretary

*Warren Christopher*²⁹

This policy of comprehensive engagement with China is not new. United States last six Presidents have pursued policies, towards China, that have been one variation or another of a policy of engagement. Two of them, Ronald Regan and Bill Clinton, came to that policy after trying other, less effective approaches.

Richard Nixon's engagement of China in 1971 brought China, at last, into the international System. Jimmy Carter's engagement of China normalized relations, between the two countries, and 'made possible the tremendous blossoming of contacts and relationships - official, commercial, educational, cultural and popular-that have benefited both countries since'. George Bush pressed engagement, of China, in the wake of the awful brutalities in Tiananmen Square, in 1989, not because of misplaced personal loyalties to the Chines leadership, but because it was still the only effective policy to advance American goals in China.³⁰

Secretary of State, Warren Christopher made his point when he said, "time and time again it has been demonstrated that our ability to work

²⁹ Warren Christopher, *"American Interests and the US-China Relationship,"* Address by Secretary of State to the Asia Society, the Council on Foreign Relations and the National Committee on US-China Relations, 17 May 1996.

³⁰ Stephen J. Yate, "Promoting Freedom and Protecting American Security," *Public Issue*, Vol. 7, No. 11, July 1998.

together with China on key challenges of regional and global importance is best manifested by being engaged."³¹

The Clinton Administration through its policy of constructive engagement has had considerable success in promoting reform and change in China. After the Tiananmen Square tragedy the United States had imposed a number of sanctions on China. Now, however, she has changed course and taken a more positive approach of engagement with China. As a result economic, political and strategic contact has increased.

China remains outside the group of countries that are perceived as responsible actors in the areas of international human rights, nonproliferation, religious freedom and environment. In all these areas, "the role China chooses to play will powerfully shape the next century," Clinton said.³² Nonetheless, some progress is evident.

China has agreed to participate in several important multilateral human rights organizations and most recently agreed to sign the International Covenant on Civil and Political Rights that guarantees freedom of thought, conscience, religion, and expression. China has also agreed to sign the International Covenant on Economic, Social, and Cultural Rights that guarantees the right of just and favorable conditions for work. In addition, the Chinese have agreed to consider giving the International Committee of the Red Cross access to Chinese prisons. Joh Kamm, a private citizen who seeks the release of political prisoners in China, has reported progress in working with

³¹ Warren Christopher, "*American Interests and the US-China Relationship*," Address by Secretary of State to the Asia Society, the Council on Foreign Relations and the National Committee on US-China Relations, 17 May 1996.

³² "China and MFN" *International Herald Tribune*, 13 July 1997.

Chinese leaders on the release of prisoners.³³ The most encouraging sign, of China's softening stance on human rights, was its decision to release political dissidents, Wei Jingsheng and Wang Dan.

In the last several years, the strategic dimension of the US-China relationship has taken on a higher profile. Following the Taiwan Straits crisis in 1996, the United States and China have worked closely to bring greater transparency and better communication into the relationship. The November 1997, summit produced important advances in communication with an agreement to set up a hotline between Beijing and Washington for emergency situations and an agreement to develop a protocol to handle encounters at sea between US and Chinese naval vessels. The November 1997 summit produced an agreement to detarget missiles aimed at each other. Trust and better communications will, of course, be necessary if the US and China desire to co-operate in resolving several important regional issues such as the future of Taiwan, Korean unification, nuclear proliferation in South Asia, and moderating ethnic tensions in Indonesia.

China has been hinting at its desire to co-operate with the US in the area of nuclear proliferation. Both the countries have agreed to work together to try to achieve an international convention banning the production of fissile materials for nuclear weapons or other nuclear explosive devices. China is a signatory to the Nuclear Non-Proliferation Treaty (NPT), it signed the Comprehensive Test Ban Treaty in 1996, ratified the Chemical Weapons Convention in April

³³ Testimony of John Kamm before the Subcommittee on Asia and the Pacific, Committee on International Relations of the US House of Representatives.

1997, and has expressed its willingness to adhere to the MTCR principles. In May 1995, China voted in favor of indefinite extension of the NPT, a top priority in US foreign policy. The United States continues to urge China to stop all nuclear co-operation with Iran's nuclear power generation program; to join the Zangger Nuclear Suppliers Group; further restrict transfers of missile components and technology; and strictly control exports of chemical and biological weapon precursors. Although evidence suggests that China may have provided Pakistan with nuclear-missile technology sometime ago, it has agreed not to transfer any military nuclear technology to either Pakistan or India. The Chinese have also stopped exports of nuclear technology to Iran. They are less cooperative, however, on issues related to chemical and missile technology.

The Chinese have a mixed record on environmental issues. At home, they have started to acknowledge the enormous need for pollution prevention and reduction. For example, more than 38 Chinese cities, including Beijing, are now publishing daily air quality reports, using new methods of transparency and openness to build public acceptance for industrial changes necessary to improve health standards. Bilaterally, the United States and China, under the umbrella agreement on science and technology, have taken measures to improve co-operation on sustainable development and the environment. The Chinese have co-operated with the United States on environmental issues in the Asia Pacific Economic Co-operation (APEC) forum, but have stonewalled the Framework Convention on Climate Change by refusing to participate in the reduction of greenhouse gases. In addition, the Chinese have not fully participated in the Montreal

Protocol on Substances that Deplete the Ozone Layer, or the Convention on International Trade in Endangered Species.

Talks between China and Taiwan over their relationship have resumed. This is a far cry from the situation several years ago when China lobbed missiles in Taiwan's direction in a heavy-handed attempt to intimidate pro-independence forces on that island.

U.S. exports to China have increased 45% between 1993 and 1997. American companies are gaining marketing share in key sectors. A landmark textile agreement has been reached that grants U.S. firms unprecedented access to China's market. It's still a badly lopsided relationship and the huge \$60 billion trade deficit in 1998 with all of its political and economic implications, shows no sign of abating. Chinese trade and investment barriers remain some of the worlds' most difficult to overcome (tariff rates are around 23% and in some key areas like autos and chemicals they are more than 23% sometimes even double that amount).³⁴ While US has been very receptive to China's products absorbing nearly a third of its exports (35% of China's exports: around 7% of China's GNP), still US firms have to 'scratch and claw' to get the same kind of treatment in China's market. But then such friction over trade matters are normal even among American allies. After all, in agriculture, the US has a surplus in her trade with China.

China is already the fifth largest trading partner of the United States and the sixth largest export market for US agricultural goods. Exports to China support more than 170,000 US jobs, and thousands more

³⁴ See: Wayne M. Morrison, "China-US Trade Issues," *Congressional Research Service*, 3 February 1997, p. 2-3.

indirectly. Two-way trade between the United States and China has increased almost ten- fold between 1990 and 1997, increasing from \$10.4 billion to \$75 billion. US foreign direct investment in China is also on the rise. Between 1995 and 1996, the stock of US investment in China rose by 36% from \$1.9 billion to \$2.9 billion.³⁵

China has played an important stabilizing role in Asia. After India and Pakistan conducted nuclear tests, China chaired a meeting of the permanent members, of the UN Security Council, to forge a common strategy for moving these two countries back from the threat of an arms race. China joined the United States in condemning these tests, calling on both countries to sign the CTBT, and encouraging peaceful dialogue to resolve their differences.³⁶

China has also become a force for peace and stability on the Korean Peninsula. The Chinese government helped the United States convince North Korea to freeze its dangerous nuclear program and played a constructive role in the Four Party Peace Talks.

In June 1998, a special liaison group of American and Chinese law enforcement officials was created to set up cooperative efforts against organized crime, counterfeiting, and smuggling. In July 1998, the Drug Enforcement Agency opened its first office in China.

It's thus evident that the Clinton administration has made more progress by looking the Chinese in the eye and telling them what their obligation is to the international community than by seeking to isolate

³⁵ See: Wayne M. Morrison, "China-US Trade Issues," *Congressional Research Service*, 3 February 1997, p. 7.

³⁶ While China and the U.S. apparently making a common cause in dealing with the issues of nuclear proliferation in South Asia, this has created furore in India. New Delhi, argue that China is part of the proliferation in this region. Analysts in India argue that the problem cannot be part of the solutions. For details see: Chinthamani Mahapatra 'American Approach To Sino -- Pakistan Nuclear and Missile Co-operation'; *Strategic Analysis* Jan. 1998; Vol. 21, No. 10.

her.³⁷ "China's sheer size and influence, means it cannot be ignored if the West is to seek its co-operation on a range of global issues," Clinton said. And Clinton acknowledged, "China had already begun co-operating on a range of economic, trade and security issues. This does not mean China's human rights record should be ignored. But it does mean putting greater emphasis on constructive engagement with China and recognizing that this may prove a more effective way of urging greater political freedoms and reforms on China."³⁸

³⁷ Senator Joe Lieberman's Speech to the Business Coalition for US-China Trade on 15 June 1996.

³⁸ Ibid.

CHAPTER 2

CONGRESS AND THE POLICY OF ENGAGEMENT

"He who decides a case without hearing the other side Tho he decide justly, cannot be considered just"-- Seneca.

In Congress, perception, of China's foreign policy behaviour and its activities, swings between extremes. Consider this critique of President Bill Clinton's trip to China from conservative Republican, and possible 2000 presidential candidate, Senator John Ashcroft of Missouri: "Bill Clinton will travel to communist China. There, he'll offer slick words of appeasement to the world's worst persecutor of people of faith, to the world's worst proliferator of nuclear weapons and to the worst perpetrator of weapons of mass destruction and to our worst trading partner," Ashcroft says.³⁹

Across the aisle, moderate Democratic Senator Joseph Lieberman of Connecticut has such a different view that one might wonder if he's talking about the same country: "Bottom line, China is moving in the direction we want it to move in. There are more human rights today. There's more religious openness. There's more economic openness, which will lead to more political openness," Lieberman says.⁴⁰

Between the two extremes there are some moderates for whom: "Today, China is not an enemy but it's not a friend, either -- and therein lies plenty of room for argument... In my heart I would like to oppose most favored nation status for China as a way of expressing

³⁹ Speech delivered by Senator Ashcroft to the Business Coalition for US-China Trade on 15 June 1995.

⁴⁰ Joe Lieberman, "Honest, Principled and Demanding Engagement", New York Times, 25 June 1998.

the deep repugnance I feel toward the tyranny of Beijing. But, intellectually, I believe that continued normal trade relations are best for the people of China," says Senator Kent.⁴¹ Always prickly, the U.S.-Chinese relationship has been rubbed raw these days in the Congress. The religious right has denounced China's alleged persecution of Chinese Christians. The anti-abortion lobby opposes China's family planning policy. Human rights activists are angry about the way Beijing treats dissidents and complain that Clinton is ignoring systemic repression; partisans of the Dalai Lama call for a free Tibet; labour advocates bang the drums about unfair competition.⁴² Trade protectionists and labor unions worry about the U.S. trade deficit, and conservative strategists look for a post-Cold War enemy to replace the Soviet Union. Even businessmen courted by Clinton complain that China's markets are still closed. It makes for great sound bites when they all clamour to know what Clinton's brand of engagement has brought them.

A China tainted by Tiananmen Square has become, indeed, a whipping boy for advancing domestic political agendas in the United States. According to Professor Robert Ross, of the Fairbank Center at Harvard University: "China represents the best partisan foreign policy issue in the U.S. political system today... So a senator, a congressman, a politician can appear to be standing up for American interests and fighting communism by taking on China."⁴³

⁴¹ Washington Post, 25 May 1997.

⁴² See Leon Hadar, "The Sweet-and-Sour Sino-American Relationship," Cato Institute, *Policy Analysis*, 23 January 1996, p. 32.

⁴³ Prof. Robert Ross, speech at the Asia Pacific Policy Centre, Washington DC, 23 June 1998.

MFN DEBATE: Trade versus Human Rights

Congressional concerns over the growing U.S. trade deficit with China and unfair Chinese trade practices along with human rights, weapons proliferation, Taiwan, Tibet and other foreign policy issues have been major factors during congressional debate in recent years over the renewal of China's MFN status and other profitability of Clinton's policy of 'constructive engagement'.

Automatic extension of China's MFN status and the annual presidential waiver of Jackson-Vanik requirements went smoothly throughout the 1980s, as China embarked on massive and largely successful economic reforms. Market capitalism was introduced incrementally into the Chinese economy to improve efficiency and to hasten modernization. Many in China readily admitted the failures of socialism and looked to the West for new methods to improve living standards.

But this honeymoon in Sino-American relations came to an abrupt halt on June 4, 1989, when the People's Liberation Army used deadly force against the students and workers who had gathered in protest at Tiananmen Square. In response, President George Bush invoked a series of sanctions against China. These included restrictions on arms and munitions sales, military exchanges, transfer of dual-use technologies, and U.S. government financing for projects in China. The objective was to punish the government of China without unnecessarily injuring the people of China. This same rationale was advanced, by the U.S. Administration, to explain the continuation of MFN status for China. Revoking MFN would have injured a wide range of people in China that the U.S. wanted to help, including

economic reformers and entrepreneurs.

China's Tiananmen Square crackdown (1989) brought about end to a pattern of general congressional support for Administration initiatives on China that had characterized U.S. policy since 1980. Between 1989 and 1992, the U.S. policy process on China was characterized by confrontation rather than consensus, with Congress and the Bush Administration clashing repeatedly over the direction and conduct of China policy. President Bush supported a policy of engagement with China. Administration officials often blamed Congress for being "obstructionist" and "partisan" on China issues, while Members of Congress often criticized the President for ignoring congressional initiatives and being too accommodating toward Beijing.

Each year, from 1990-1992, Congress voted to disapprove extension of MFN status to China. President Bush repeatedly used his veto authority to defeat these congressional measures. Members of Congress argued that the U.S. should make China's leaders pay for their brutality and that it was immoral for Americans to seek profit under such circumstances. Every year, this "automatic" procedure has provided a forum for a well-orchestrated recitation of all the ills for which China's government is held responsible.⁴⁴

During his campaign, Mr. Clinton staked out a position on China that was markedly different from that pursued by the Bush Administration. He stated his belief that the United States should use its economic leverage to promote democracy in China. He scolded President Bush for "*coddling tyrants*" and vowed to make the

⁴⁴ "US Relations with China: 1995-96 Policy Debate Topic," *Congressional Digest*, August-September 1995, p. 193

"butchers of Beijing" pay by attaching the requirements for improved human rights conditions to the continuation of MFN for China. He supported congressional action to link china's MFN status with its human rights policies. On May 28, 1993, President Clinton issued an executive order, which continued China's unconditional MFN status for another year but attached new conditions to China's MFN renewal in subsequent years. The executive order required China to halt exports of prison labour products to the U.S. and mandated that, the Secretary of State, determine whether China had made "significant progress" on human rights. However, on May 26 1994, President Clinton reversed this policy by separating human rights from China's MFN renewal. This delinking of trade and human rights issues indicated that the United States' desire to remain engaged with China through trade in order to retain influence on Chinese government policies.

Thus, since 1989, the year of the Chinese government's crackdown on democratic activists in Tiananmen Square, annual renewal of China's MFN status has taken on greater levels of controversy. Congress began to link a broader scope of human rights and trading issues with the annual legislative rite. Despite that trend, President Clinton and Congress were successful in de-linking China's MFN status and the human rights issue during the 1994, 1995, and 1996 debates on MFN. In 1997, however, a broad coalition of groups, from organized labour to religious organizations, reinvigorated the debate over renewing China's MFN status by focusing on a number of issues along with human rights.

In addition to the significant and on-going concerns the United States

holds on human rights, religious and political freedom of China's 1.2 billion citizens, and issues of the trade deficit, global and national security also complicate the debate over revoking China's MFN status.

The problem is, according to Senator Joen Lieberman, that "MFN renewal has become a sort of referendum on all Chinese policies... MFN has become the only vehicle for Congress to express its frustration with China over its human right record, trade practices of weapons sales." To the coalition – Christian conservative Republicans and pro-labour Democrats -- opposing China's privileges: "the MFN debate is about principles – human rights, human dignity... and whether we put trade before people and profits about principles... we can't allow the brutal denial of human rights to remain unnoticed or unanswered..." said Senator John McCain. And, to the Senators, who support trade and economic engagement with China: "The free exchange of commerce and ideas represents the best hope we have of projecting the light of freedom into the communist China" said Senator Phillip M. Crane.

Thus there are two factions in the Congress who boil down this complex issue to a simple choice between " principles and profits" and the two major options offered are:

-- First, keep the trade lines open and continue to pour information and investment into China. The exposure to general information and ideas that comes with free markets, will encourage China towards more and more freedom; and gradually radical changes will come about through exposure to freedom and prosperity.

-- The other option offered is to curtail trade and use other measures to pressurise China until it begins to act more responsibly abroad and

loosens its grip on its own people in matters of religious freedom, Tibet, rights of the accused, freedom of the press etc. According to Senator Bill Parson, "denial of MFN ... would send a message to China that the U.S. believes in something more than the blind pursuit of trade."

The MFN debate unfortunately, is caught up, in two mistaken beliefs: 1) that MFN is privileged treatment and 2) that revoking MFN would be an effective way to force a favorable change in China's behavior. These beliefs have no basis in reality.⁴⁵ Conditioning or revoking MFN under current circumstances would eliminate any possibility of cooperation from Beijing, rendering the U.S. less effective in its efforts to limit transfers of nuclear technology and weapons of mass destruction, correct unfair trade practices, and foster development of the rule of law in Asia. Moreover, discontinuing MFN would not improve social and commercial conditions in China but would come at great cost to Americans and their friends in Hong Kong and Taiwan. For the U.S., revoking or conditioning MFN gains too little and risks too much.

TRADE:

"The elimination of china's normal trade status, rather than advancing human rights and the rule of law, would actually harm those in society most dedicated to their promotion."--Secretary of State Madeleine K. Albright.

⁴⁵ *Overview and Compilation of U.S. Trade Statutes, Committee on Ways and Means, U.S. House of Representatives* (Washington, D.C. U.S. Government Printing Office, 1995). This is the primary source on the statutory history of MFN and the details of its legislative procedures.

Supporters of MFN treatment of China in the Congress have taken the position that withdrawal of MFN would be counter-productive, since it would increase friction and will be less conducive to resolution of any problem through *dialogue and engagement*. It would they assert, possibly exacerbate the situation particularly in the human rights area, in addition to the adverse economic consequences it would endanger. Withdrawal of China's MFN status would be substantially damaging to the United States economy. Both American business and individual American consumers would suffer losses, with low and middle-income consumers being hardest hit.

Americans would lose jobs: United States trade with China supports, as many as, 200,000 American jobs.⁴⁶ Revoking China's MFN status would result in China's retaliation with restrictions on imports, resulting in the loss of most United States exports to China. The most likely result of this would be that American companies which export their products to the Chinese market would face potentially crippling decreases in sales, causing lay-offs and job losses for American workers. Jobs at risk include not only export-related jobs, but also additional import-related jobs in "hidden" or overlooked sectors like ports and retail sales.

Well over half the jobs at risk if China's MFN status is revoked are in high-paying sectors of the economy with wage rates that are higher than the United States national average.⁴⁷ Technology sector exports like computers and electronics create and support high-wage and high-skill jobs, as do exports in the power generation,

⁴⁶ "The Costs to the United States Economy that Would Result from Removal of China's Most Favoured Nation Status." *International Business and Economic Research Corporation*, June 1996, p. 20.

⁴⁷ *Ibid.*, p.2-3.

telecommunications and aircraft industries. With infrastructure development expenditures in China projected to reach \$750 billion over the next decade, numerous high-wage and high-skill jobs in these infrastructure-building industries will be created.⁴⁸ However, if the United States revokes China's MFN status, these jobs will be created in Germany, France, Japan, and other countries, not in the United States.

Americans would pay higher prices: Removal of China's MFN status would subject Chinese imports to disastrous *Smoot-Hawley tariff levels* established in the 1930's. These Smoot-Hawley level duties would apply to approximately 95 percent of United States imports from China, increasing the cost of imported Chinese goods an average of 33 percent, with many Chinese imports suffering duty increases of 65 percent or more.⁴⁹ Relative cost increases would be highest on low-margin consumer goods such as clothing, household electrical and electronic products, and toys. Because these goods make up a large share of low-income consumers' expenditures, their increased costs would disproportionately affect working class, low-income Americans.

The extremely high tariffs, which would be added to the cost of Chinese goods if MFN status were removed, would drive many products out of the United States market altogether. This would result in not only more limited selection for American consumers, but higher prices for replacement goods from other sources. The increased cost

⁴⁸ Testimony of Ambassador Stuart Eizenstat, Undersecretary of Commerce for International Trade, before the House International Relations Committee Subcommittee on Asian Affairs and the Subcommittee on International Economic Policy and Financial Affairs, 16 May 1996.

⁴⁹ Vladimir M. Pregelj, *Most Favored Nations Status for the People's Republic of China*, Congressional Research Service of the Library of Congress, 17 May 1996, p. 4-5.

of remaining Chinese imports with assessed higher tariffs, combined with the higher prices of replacement goods, would cost United States consumers as much as \$29 billion. This equates to an average tax of \$302 annually on each of the 96 million United States households.⁵⁰

American businesses would be hurt: Restriction of U.S.-China trade relations would also hamper American firms' competitiveness in China. Given that China is the world's third largest economy -- and projected to be the world's largest economy by the year 2010 -- trade limitations could form a serious obstacle to United States exporters. If United States companies are kept out of or denied the advantage of early market entry in so large and promising a market, a tremendous head start would be given to other foreign firms -- a lead, which could take a long time to regain.

Chinese retaliation against United States exports would cause significant harm to the American grain industry, as well as United States firms, which produce power generation machinery, aircraft, and fertilizer products. For example, China currently has a \$2 billion agreement to purchase 2.1 million tons of American wheat.⁵¹ This agreement, as well as future ones, would be seriously jeopardized by removal of China's MFN status, and Chinese retaliation would decimate the American grain industry.

Withdrawal of China's MFN status would jeopardize the \$10.7 billion Americans have invested in China.⁵² Many American companies, like

⁵⁰ "The Costs to the United States Economy that Would Result from Removal of China's Most Favoured Nation Status." *International Business and Economic Research Corporation*, June 1996, p. 8.

⁵¹ Testimony of Ambassador Stuart Eizenstat, Undersecretary of Commerce for International Trade, before the House International Relations Committee Subcommittee on Asian Affairs and the Subcommittee on International Economic Policy and Financial Affairs, 16 May 1996.

⁵² Tom Brune, "Sanctions Against China May Also Hurt U.S.," *Chicago Tribune*, 18 March 1996, p. 1.

Boeing, General Motors, AT&T, Northern Telecom, IBM, Motorola and Microsoft, to name just a few, have substantial investments in China which would be at risk.⁵³ Americans would also lose the opportunity to benefit from future investment in China, since unstable economic relations resulting from United States cancellation of China's MFN could cause Chinese business ventures to select foreign investment partners from other nations whose stability and permanence in trade relations they trust.

The Boeing example: In April of 1996, the Chinese government demonstrated its preference to do business with its more stable trade partners rather than perhaps its more competitive trade partners. For example, it chose Airbus over Boeing to fulfill a \$1.5 billion order for 30 jetliners, and announced that it would choose a European consortium to develop a new 100 seat aircraft for the Chinese market. Moreover, China's Minister of Trade and Economic Cooperation, Wu Yi, postponed a \$4 billion aircraft contract with Boeing and McDonnell Douglas, demonstrating the financial jeopardy American businesses face as a result of the unstable trading relationship caused by the annual debate over China's MFN status.⁵⁴

The constant threat of removing China's MFN status most likely will result in China's denying American firms lucrative joint ventures in favor of competitors whose governments can offer a more stable trading relationship. As China's Vice Premier Li Lanqing succinctly stated: "People think trade with the U.S. is not reliable, and maybe

⁵³ Ibid.

⁵⁴ Mure Dickie, "China Paper Warns Poor Ties Threaten U.S. Business," *The Reuter European Business Report*, 28 April 1996.

one day it may impose sanctions or cancel China's MFN status. Why shouldn't we instead do business with Europe or Japan?"⁵⁵ The Chinese, as Gary Hufbauer at the Institute for International Economics has pointed out, have "figured out how to play the Europeans, Japanese and the Americans off against each other."⁵⁶

And while the United States will publicly threaten China with sanctions, our friends and allies will not. Instead, as one of President Clinton's top strategists noted: "If we move to sanctions against China, everyone else will privately tell us we're doing the right thing -- and then they'll send five new trade missions to Beijing."⁵⁷

The constant U.S. threat of revoking MFN does not help the United States overcome these problems. All the threat does is make the United States ever more vulnerable to manipulations by the Europeans, Japanese and Chinese.

HUMAN RIGHTS: China's lack of demonstrable progress in human rights under Clinton Administration has helped drive a coalition of liberals in the Democratic Party and Conservatives in the Republican against renewing MFN status for China and against Clinton's policy of engagement with China.

According to Senator John McCain "constructive engagement is a farce. It is based on the belief that if we invest enough money into an economy the governing regimes will somehow transform into a peace

⁵⁵ Li Lanqing, "Does 'Engagement' Mean Fight or Marry?" *Business Week*, 6 May 1996, p. 50.

⁵⁶ David Sanger, "It's Lonely for the U.S.; Walking Loudly, Carrying Trade Rules," *The New York Times*, 21 April 1996, sec. 4, p. 5.

⁵⁷ Mure Dickie, "China Paper Warns Poor Ties Threaten US Business," *The Reutev European Business Report*, 28 April 1996.

- loving republic."⁵⁸ "We should not sacrifice the American ideals of human rights and democracy in our quest for the almighty Chinese dollar -- resist the temptation of placing dollars before human rights," said Senator Nancy Pelosi, a leading human rights activist. According to Gary Baver, President of the family research council of U.S. "U.S. policy is a one dimensional desire for trade..... This policy (of constructive engagement is being driven by a bunch of large corporations that want that market place, and we got political leadership that is ignoring the national security interest of the United States and ignoring Americas most deeply held values."

"Trade is no substitute for a human rights policy, but a proper human rights policy should punish the transgressor (China's government), not the victims of oppression (ordinary people)," said Senator James P. Moran.

Those who claim that China remains an authoritarian state that engages in sometimes brutal repression of its citizens' human rights do not overstate their case; they are by no means incorrect. No less incorrect, however, are those who point out that China's growing economy has greatly improved the everyday lives of the overwhelming majority of its citizens. And foreign trade, investment and engagement -- including American trade, investment and engagement -- has played an important role in accomplishing that feat.⁵⁹

China, like Taiwan and South Korea before it, is changing; it is moving in the right direction. As China continues to lurch into the

⁵⁸ Jason Morrow, "Is Clinton-style Engagement really Constructive?" *International Herald Tribune*, May 28, 1999.

⁵⁹ Robert G. Sutter, "*Shaping China's Future in World Affairs: The role of the United States*," West review Press, p. 86.

modern world, the conditions of China's citizens will continue to be a cause of concern to Americans. However, most Americans, and many Congressmen, appear to have a stagnant and outdated view of the conditions of the Chinese people.⁶⁰ In fact, even those in the West who have a better understanding of the changes underway in China will continue to be troubled because, as William H. Overholt observes, China represents "the ultimate half-full, half-empty problem."⁶¹

Overholt continues: "The Chinese are extremely poor, but at no time in history have living standards improved so fast for so many. Wages are low, but the typical Chinese worker is content with raises that are much more rapid than those in the West, past or present. China is authoritarian, but the improvements in freedom of speech, information, movement, and occupation in the last 15 years is unprecedented...⁶² People can wear what they like, share opinions with their neighbors, choose their careers, change jobs, hear conflicting opinions from their national leaders, vote in competitive local but not national elections, move around the country with limited hindrance, start their own business, and in general do pretty much anything other than directly challenge the authority of the government....⁶³ China's government is a brutal dictatorship, but its leaders are addressing the most pressing needs of the people, and competitive elections affect the lives of the ordinary Chinese more than elections affect ordinary citizens of democratic India."⁶⁴

⁶⁰ Jim Rohwer, "The Titan Stirs," *The Economist*, 28 November 1992, p. 23.

⁶¹ William H. Overholt, "China After Deng," *Foreign Affairs*, May-June 1996, Vol. 75, No. 3, p. 28.

⁶² *Ibid.*, p. 73.

⁶³ William H. Overholt, "China After Deng," *Foreign Affairs*, May-June 1996, Vol. 75, No. 3, p. 64.

⁶⁴ *Ibid.*, p. 78.

Half-empty and half-full, indeed. But perhaps there is a little more hope in the glass than most members of the Congress expect or believe. America should continue to help fill the glass, not smash it -- along with the hopes of so many Chinese -- by revoking China's MFN status.

Clinton, in support of the policy of economic engagement with China, said "trade is a force for change in China, exposing China to our ideas and integrating China into the global economy."⁶⁵ "Through trade we export to China our most valuable products -- democracy and human rights," said Senator Patty Murray.⁶⁶

For the 1.2 billion people of China, the benefits of trade with the United States extend beyond economics. The economic development created by trade not only improves the standard of living, but fosters a larger middle-class, which can better support positive political and human rights change.⁶⁷ In both Taiwan and South Korea -- authoritarian regimes until as recently as the mid-1980's -- political rights and civil liberties improved as economic development advanced through trade.

The lesson of Taiwan: In a May 7, 1996, Wall Street Journal article, Jeffrey Koo, Chairman and CEO of Taiwan's Chinatrust Commercial Bank, stresses the correlation between economic reform and political freedom. He states, "The most powerful argument in favour of MFN is that trade with the U.S. will accelerate economic reform and the development of a free market system, which will nudge China toward

⁶⁵ Remarks by President on US China relations in the 21st Century, National Geographic Society, Washington DC, *White House Press Release*, 11 June 1998.

⁶⁶ Senator Patty Murray's testimony Presented on 23 May 1997, before the House Ways and Means Subcommittee on Trade.

⁶⁷ "China MFN Backers remain hopeful," *Congress Daily AM*, 5 November 1999.

democracy. This argument has particular resonance here in Taiwan, since it is the path that we have followed."⁶⁸

Taiwan's President Lee Teng-hui, elected last year in Taiwan's first democratic presidential election, also believes there is a connection between economic reform, development of a free market system and political liberalization. Moreover, the example of Taiwan's still nascent democracy is especially relevant to China given the historical and cultural ties shared by the two societies.

In a March 27, 1996 interview with *The Wall Street Journal*, President Lee concluded: "Vigorous economic development leads to independent thinking. People hope to be able to fully satisfy their free will and see their rights fully protected. And then demand ensues for political reform ... The fruits of the Taiwan experience will certainly take root on the Chinese mainland. In fact, the mainland is already learning from Taiwan's economic miracle. The model of Taiwan's quiet revolution will eventually take hold on the Chinese mainland."⁶⁹

Revocation of China's MFN status would be most damaging to, the economically strong, export dependent southern Chinese provinces of, ***Guangdong and Fujian*** that are on the forefront of China's economic reform. These provinces are exploding in capitalist entrepreneurship and hold the most hope for gains in political freedom. The experiences of Guangdong and Fujian are examples that economic development can lead to political liberalization and decentralization of government. In fact, in 1990, provincial governors led by Guangdong's Governor, Xe Xuanping, tried to block Beijing's attempt

⁶⁸ Jehrey Koo, "MFN for China is also good for Taiwan," *The Wall Street Journal*, 7 May 1996, p. 22.

⁶⁹ Melanie Kirkpatrick, "Taiwan's Quiet Revolution," *The Wall Street Journal*, 27 March 1996, p. 22.

to write tax increases and recentralization policies into its new five-year plan.⁷⁰

If China's MFN status were revoked, Hong Kong and China's southern provinces of Guangdong and Fujian would lose the power and momentum with which they can create positive political change in China. Robert Broadfoot, managing director of the Hong-Kong based Political and Economic Risk Consultancy, has noted that "a Hong-Kong-Guangdong alliance could create a speed and momentum of economic reform that could jeopardize political stability, meaning the Communist Party in Beijing."⁷¹ Hong Kong already has greatly influenced mainland policy by demonstrating the success of capitalism. Anson Chan, the chief secretary of Hong Kong who is known to be quite influential with the Chinese government, has stated that "[Hong Kong] will be a stronger influence on China [than vice versa and] Hong Kong can serve as an example to the rest of the world."⁷²

Thus, " *removal of China's MFN status is equivalent to a declaration of economic warfare, where the only winners would be the neutral countries -- America's competitors -- that will pick up larger pieces of the expanding economic pie in China produced by trade.*"⁷³ America's current influence in China, as well as the potential for an expanded influence in the future, would be lost.

Without economic engagement, little incentive exists for China to

⁷⁰ Andrew Tanzer, "The Mountains are High, the Emperor is far away," *forbes*, 5 August 1991.

⁷¹ Ibid.

⁷² Steve Higgins, "Hong Kong Leader Anson Chan: Getting Ready for Role as Keeper of Capitalist Flame," *Investors Business Daily*, 30 April 1996, p. 1.

⁷³ Andrew Tanzer, "The Mountains are High, the Emperor is far away," *forbes*, 5 August 1991.

comply with U.S. interests. The Chinese are prepared to replace United States goods with those of other foreign suppliers. They are prepared to depend on their own rapidly expanding markets, as well as find new markets elsewhere in the world to replace U.S. consumers. Influence over the Chinese can only be obtained through a policy of engagement in which mutually beneficial economics create common goals.

Security tensions, including the issue of nuclear proliferation, are best relieved through a *policy of engagement*. Like political and human rights change, United States security interests cannot simply be forced on the Chinese government. Economic interdependence provides China powerful motivation for peaceful relations and the United States an avenue for exerting influence on China.

According to Secretary of State, Warren Christopher, "*history demonstrates that an isolated China can produce harmful, even disastrous, results for the Chinese people, the region and the world.*"⁷⁴

Anson Chan, the chief secretary of Hong Kong, has publicly supported the policy of engagement. Chan advocates delinking Chinese trade from other issues and keeping United States trade open with China as an "*avenue of influence,*" and she has stated that "*trying to not renew MFN is the worst possible way to succeed. Americans must stay engaged with China, you mustn't push them into*

⁷⁴ Warren Christopher, "*American Interests and the US-China Relationship,*" Address by Secretary of State to the Asia Society, the Council on Foreign Relation and the National Committee on US-China Relation, 17 May 1996.

*an isolationist corner".*⁷⁵

U.S. withdrawal of China's MFN status would send a global message which could irreparably harm U.S. security interests. Revocation of China's MFN status may be interpreted as a sign of American withdrawal to U.S. strategic allies throughout the region. "Tense relations between China and the United States would not only strengthen regional trade groupings which exclude the United States, but could encourage Japan, and perhaps even a unified Korea, to adopt less hospitable policies toward the United States."⁷⁶

By tying MFN status to each concern, as it arises, will not help promote a quick resolution. As, economic sanctions often fail to achieve their desired result, encourage a tit-for-tat response from the sanctioned party, and hurt the interests of both concerned parties, so the United States should employ alternative policy tools to influence China. The United States cannot simply force such a large, increasingly powerful, and ideologically different country to comply with its wishes and demands. Change is ultimately preceded by shared goals and common interests created through strong economic ties.

Harry Harding, one of the most respected foreign policy specialists on China, states "In dealing with Beijing, then, the United States needs to employ both rewards and punishments, carrots and sticks. Washington must be creative in rewarding China ... [and] incentives and disincentives should usually be the same as those used with other

⁷⁵ Steve Higgins, "Hong Kong Leader Anson Chan: Getting Ready for Role as Keeper of Capitalist Flame," *Investors Business Daily*, 30 April 1996, p. 1.

⁷⁶ Leon Hador, "The Sweet-and-Sour Sino-American Relationship," Cato Institute, Policy Analysis, 23 January 1996, p. 32.

countries in comparable circumstances."⁷⁷

Although human rights has been the most prominent rallying cry for those who wish to discontinue MFN for China, there are a number of other issues that gives the Congress cause for concern: China's military adventurism, proliferation of missiles and nuclear technology, piracy of intellectual property, and unbalanced trade. The danger in the political debate over China is that the U.S. will try to use MFN, one of the fundamental principles of international trade, as a policy tool to advance unrelated economic, political, and security interests.

Revoking China's MFN status clearly is not an effective way to advance these interests. Certainly, China's bullying of Taiwan with missile tests, interfered with international air and sea-lanes, and had the potential to draw the U.S. into military conflict with the PRC. It also put at risk peace and stability in Asia as well as freedom of navigation -- two of the three historical U.S. interests in Asia. However, revoking MFN would do nothing to stop these provocative acts. Nor would it improve the prospects for peace and stability or freedom of navigation generally. But it would violate the U.S. interest in free access to markets and free trade. Thus, while revoking MFN will affect neither China's position on human rights nor its intimidation of Taiwan, it certainly will violate a vital U.S. economic interest.

In addition to the MFN issue (*trade v. human rights*) the other concerns of the Congress towards China, and towards Clinton Administration's *policy of engagement* with China are:

⁷⁷ Harry Harding, "A Fragile relationship," The Brookings Institution, 1992, p. 330.

Trade Related Issues: Congressional concerns over the growing trade deficit with China and unfair trade practices have been major factors during congressional debate in recent years. There is increased congressional pressure on the Administration to take more effective action against China's trade and investment barriers and improve production of U.S. intellectual property rights. Several Members of Congress have indicated support, for granting permanent MFN status to China, once it enters the WTO; but only if that accession involves requiring China to make substantial reforms to its trade regime that offer the promise of significant new trade opportunities for U.S. firms.

U.S. trade with China rose rapidly after the two nations established diplomatic relations, in January 1979, signed a bilateral trade agreement, in July 1979, and provided mutual MFN benefits beginning in 1980. Total trade between the two nations rose from \$4.8 billion in 1980 to \$75.4 billion in 1997 -- making China the 4th largest U.S. trading partner. Over the past few years, the U.S. trade deficit with China has grown significantly, due largely to a surge in U.S. imports of Chinese goods relative to U.S. exports to China. Between 1992 and 1997, U.S. exports to China increased by 73.0%, while U.S. imports from China surged by 143.6%. In 1988, the United States had a \$3.5 billion trade deficit with China; in just 10 years it surged to \$49.7 billion in 1997 and to \$60 billion in 1998; making China the second largest deficit trading partner of the United States, behind Japan (\$55.7 billion).⁷⁸

The surge in U.S. imports of Chinese products over the past few years

⁷⁸ Wayne M. Morrison, "China-US Trade Issues," *Congressional Research Service*, 5 February 1997, p.2.

can be largely explained by two factors. First, China's production of low-cost, labor-intensive consumer products has increased sharply, in recent years, due to China's comparative advantage in such sectors; and U.S. demand for such products has steadily increased as well. Secondly, countries such as Hong Kong and Taiwan have shifted production of a wide variety of labour-intensive products (such as toys, shoes and electronic products) into China to take advantage of China's relatively low-cost labour supply. As a result, many of the products that used to be produced in Taiwan and Hong Kong (a large share of which were exported to the United States) are now being produced by Hong Kong and Taiwanese firms in China, for export purpose.

The role of Asia's "Little Dragons." A major reason the United States has a large trade imbalance with China is that a number of the goods exported to the United States by China were previously made in Korea, Taiwan, Hong Kong and Singapore, Asia's "Little Dragon's." These countries saw their wealth, living standards, and labor costs increase due to the benefits of trade. Therefore, they moved many of their shoe, clothing and hardware manufacturing plants to China to take advantage of the lower manufacturing cost there.⁷⁹

"Hong Kong has shifted nearly all of its low-cost, labour intensive manufacturing" to China over the past ten years; Taiwan has done the same with about 50 percent of its production. And "half of South Korea's textile firms have invested in China" as well.⁸⁰

⁷⁹ "The costs to the United States Economy that would result from removal of China's MFN status," *International Business and Economic Research Corporation*, June 1996, p. 20.

⁸⁰ Dusty Clayton, "Beijing Takes Flack for US-China Trade," *South China Morning Post*, 9 November 1995, p. 1

So, while the United States trade deficit with China in these product categories has been increasing, that increase has been mirrored by decreasing levels of trade in these categories with South Korea, Taiwan and Singapore.⁸¹

Imbalances in China-United States trade, have generated fear in the U.S. that China may become "*another Japan*". However, China's trade surplus with the United States has been greatly exaggerated.⁸² Once the issue is put in the right perspective, it will be clear that China may not become another Japan.

(a) Foreign-funded enterprises or joint ventures make more than 46% of China's exports. Such exports not only benefit China but also her foreign partners, including the United State. Many Chinese products on the shelves in the United States still carry U.S. trademarks and, to a large extent, are U.S. products.⁸³

(b) Most of China's exports belong to those low-valued labour-intensive goods that the United States stopped producing ten or twenty years ago. Such exports do not cost U.S. jobs; rather they bring tremendous benefit to American consumers. According to World Bank report in 1994, American consumers would have had to pay \$14 billion more if the United States had imported the same products from other countries that year.⁸⁴

⁸¹ Ke Wan, "Wrong Assumptions about US-China Trade," *The (St. Louis) Post-Dispatch*, 30 May 1996, p.7.

⁸² For a more complete discussion of the misplaced concern regarding trade deficits and their purported negative impact on employment and economic growth, see Bryan Riley, "Little-Known Facts About Trade Deficits," Citizens for a Sound Economy Foundation, Capitol Comment, February 11, 1993; and Wayne Leighton, "Playing With the Numbers: Why Protectionists are Wrong about Trade," Citizens for a Sound Economy Foundation, Issue Analysis, updated April 30, 1997.

⁸³ Li Daoyu, "*The View from China: Preparing America's Foreign Policy for the 21st Century*," Oklahoma, 1999, p. 41.

⁸⁴ *Ibid.*, p. 42.

(c) China is a developing country with a weak industrial base, while Japan is a highly developed, industrialized economic superpower. Japan is the United States' strong competitor, but China is not. The Chinese and the U.S. economies are in fact highly complementary, it's like-- you sell what they need, and they produce what you want.⁸⁵

NON-PROLIFERATION: Administration officials believe China has taken a number of steps in recent years that suggest it is reassessing its weapons sales and assistance policies. Among other things, China in 1992 promised to abide by the Missile Technology Control Regime (MTCR) and acceded to the Nuclear Non-Proliferation Treaty (NPT). In 1993, China signed the Chemical Weapons Convention (CWC); in 1996, China signed the Comprehensive Test Ban Treaty; and in 1997, China joined the Zangger Committee of NPT exporters. On January 12, 1998, the President signed the required certifications to implement a nuclear cooperation agreement with China, citing that there had been "*clear assurances*" from China on nuclear non-proliferation issues. The actual U.S.-China Nuclear Cooperation agreement had been signed in 1985, but no cooperation had occurred under the agreement as of 1997, primarily because of concerns over China's proliferation activities.

Congressional critics, however, believe that the Administration's confidence in China's non-proliferation policies is misplaced. They point out that for years, reputable sources have been reporting that China has been selling technology for weapons of mass destruction and ballistic missiles in the international market, primarily to

⁸⁵ Dusty Clayton, "Beijing Takes Flack for US Explosion in Trade Deficit," *South China Morning Post*, 9, November 1995, p. 1.

Pakistan and to Middle East countries. The Director of Central Intelligence (DCI), in June 1997, submitted a required report to Congress stating that during July-December 1996, "China was the most significant supplier of weapons of mass destruction-related goods and technology to foreign countries."⁸⁶ Although these allegations have always created problems in U.S.-China relations, the issue has suddenly become a much more serious complicating factor in light of nuclear weapons tests conducted by Pakistan in May 1998 in response to earlier nuclear weapons tests by India (May 11 and 28, 1998). Pakistan's nuclear weapons tests, they say, are positive proof that China has violated its agreements and has assisted Pakistan in its weapons program.⁸⁷

Iran also has been a steady customer of Chinese weapons. Some Members of Congress have questioned whether Iran's possession of C-802 anti-ship cruise missiles violates the Iran-Iraq Arms Non-Proliferation Act of 1992; which requires sanctions on countries that sell destabilizing weapons to Iran or Iraq. In light of China's assistance to Pakistan's acquisition of nuclear weapons, congressional critics question China's promises to halt nuclear cooperation with Iran.

Congress has debated whether to link non-proliferation conditions to normal, or most-favored-nation (MFN), trade treatment for China and questions of whether to impose unilateral sanctions under various U.S. laws. Most recently, sanctions were imposed on May 21, 1997, for Chinese chemical weapon proliferation in Iran.

⁸⁶ For details see Director of Central Intelligence (DCI) Report to Congress, July-December 1996.

⁸⁷ See, Richard D. Fisher and Stephen J. Yates, "China's Missile Diplomacy: A Test of American Resolve in Asia," Heritage Foundation *Background Update* No. 269, 12 July 1998.

Taiwan: Many, in the 104th and 105th Congresses, pushed for greater U.S. support for Taiwan, while Clinton administration officials warned against the effects of such initiatives on U.S.-PRC relations. Many, in the 105th Congress, favor formal efforts including legislation that go beyond administration policy to strengthen U.S.-Taiwan relations in ways sure to antagonize the PRC. Congress wants to enhance investment opportunities for U.S. companies and ease trade issues, notably Taiwan's large trade surplus. They also encourage political democratization even though it fosters separatist tendencies that complicate the official U.S. "*one China*" policy.

President Clinton, during his visit to China, made a statement about U.S. policy toward Taiwan: that the United States did not support independence for Taiwan; did not support a two-China policy; and did not believe Taiwan should be a member of international organizations where statehood is a prerequisite.⁸⁸ The statement was subjected to considerable criticism in the 105th Congress and several legislation were introduced in support of Taiwan (H.R. 107); its entry into the WTO (H.R. 1757), praise Taiwan's role in the Asian financial crisis and urge U.S. support for Taiwan's security (H.R. 270), and support a ballistic missile defense for Taiwan (H.R. 2386). Some in Congress have also held hearings and sent letters to the administration to urge that the U.S. Government not sacrifice U.S. interests with Taiwan at a time of improvement in U.S. relations with Beijing.

Tibet: Since normalization of relations with the PRC in 1979, a succession of both Republican and Democratic U.S. Administrations

⁸⁸ President Clinton's Statement given at the Roundtable Discussion in Shanghai during June 1998, China visit, *White House Press Release*, 29 June 1998.

have favoured policies of engagement with China. Thus, they have sought to minimize areas of potential tension with Beijing where Chinese leaders have taken strong positions, such as on the question of Tibet's political status.

But, the Dalai Lama has some strong supporters in the U.S. Congress, and these Members have continued to put pressure on the White House to protect Tibetan culture and accord Tibet greater status in U.S. law despite Beijing's strong objections. As a result of this congressional pressure, Presidents George Bush and Bill Clinton have each met with the Dalai Lama in the United States -- meetings that were deliberately kept low-key and informal, but which nevertheless offended Chinese leaders. Congress in recent years has attempted to insert language in Foreign Relations Authorizations bills to create a Special Envoy for Tibet, with ambassadorial rank, to promote good relations between the Dalai Lama and Beijing and to handle negotiations with China on the Dalai Lama's behalf.

Administration's Inconsistent Approach

One other concern, and a matter of great debate, for the Congress is, the confusion and dissatisfaction with, the Clinton Administration's inconsistent approach towards China. "The Administration says one thing but does another. It has managed the relationship with China badly. The policy of engagement lacks purposes...it is 'hollow engagement', "according to Senator Connie Mack.⁸⁹

The problem is that there is almost as much confusion about the Clinton Administration's China policy as there are contradictions in

⁸⁹ See Floor Statement by Senator Connie Mack on 27 July 1997, Introducing S.1083.

the actions of the Chinese government. After campaigning in 1992 to link China's MFN trading status to its human rights record, President Clinton reversed himself in 1994. The President dropped his human rights demands and supported MFN for China two months after the Chinese leadership had publicly humiliated the Secretary of State during a March 1994 visit to Beijing. President Clinton has proposed a policy of engagement with Beijing to encourage China to move in the direction of international security, trade, and internationally accepted human rights norms. As part of this policy, the Administration--from the White House to the Pentagon--has "engaged" in high-level exchanges with Chinese officials. This was the correct decision, but the Administration's ill-conceived linkage strategy forced it into a series of policy retreats and flip-flops that undermined U.S. credibility throughout the region.

The Administration engages in presidential summits and military exchanges with China and, at the same time, is complicit in Beijing's international isolation of free and democratic Taiwan--the primary target of China's military muscle. Moreover, President Clinton has stated his belief that just as the Berlin Wall "inevitably" fell, so too will the Great Wall of China inevitably give way to the forces of economic and political liberty.⁹⁰ It is clear, however, that the collapse of Soviet communism had more to do with American strength and allied resolve than with the "inevitable" forces of nature. It is also clear that, left to its own devices, the Chinese government will continue down a path of economic growth while maintaining tight political control and international intransigence.

⁹⁰ Remarks by President Clinton on US-China Relations in the 21st Century, National Geographic Society, Washington DC, *White House Press Release*, 11 June 1998.

The Administration's mishandling of Taiwan's President, Lee Teng-hui's, visit to the United States in June 1995 reinforced this problem. At first, the Clinton Administration caved in to Beijing's protests and resisted granting a visa so that Taiwan's President Lee could pay an unofficial visit to his alma mater, Cornell University. The Administration argued that granting a visa would violate its "*one-China*" policy. Then, in response to nearly unanimous congressional condemnation of this decision, the Administration relented and permitted President Lee to make a private visit to Cornell. This decision was the right one, but it should have been made when Beijing first protested. Taiwan should have been spared the painful ordeal that angered all involved and further undermined U.S. credibility.

In yet another misstep, the Clinton Administration in February 1995 mishandled the Chinese navy's occupation of Mischief Reef in the South China Sea. Mischief Reef is a small atoll well within the Philippines' 200-mile Exclusive Economic Zone but claimed variously by China, Taiwan, and Vietnam. The Administration took three months to muster only a mild diplomatic protest in response to China's breach of international law.

China decided to express its disapproval of U.S. support for President Lee's visit and the tepid U.S. response to the Mischief Reef confrontation by conducting large-scale military maneuvers in the Taiwan Strait, including the firing of nuclear-capable missiles near Taiwan in July 1995. After this provocative act, the Administration did nothing. Only after the Chinese began preparing for a larger show of force in early 1996 did the Clinton Administration belatedly take

action, dispatching two aircraft carriers to the area.

Since 1996, the Clinton Administration has made a concerted effort to improve relations with Beijing. Secretary of State, Warren Christopher, announced in May 1996 that the Administration desires more frequent and regular meetings with Chinese officials, at the highest levels, including an exchange of presidential visits. National Security Adviser, Anthony Lake travelled to Beijing in July 1996 to smooth relations further, and to discuss preparations for a presidential summit in Washington. In November 1996, the President traveled to Asia, announcing bold plans to deepen U.S. engagement in the region and stabilize relations with China.

But by early 1997, these plans were hijacked by a growing controversy over allegations of illegal fundraising by the President's supporters from Asian and Chinese sources during the 1996 presidential campaign; as well as accusations of a plot by the Chinese government to fund operations in the United States designed to influence elections and foreign policy decisions. At the same time, a campaign to deny China's MFN status included published reports of China's human rights abuses and religious persecution.

The President's response to these challenges was to assume a low profile on China issues. He addressed China issues in public speeches only when required by law, when notifying Congress of his decision to extend China's MFN status. Meanwhile, the country and Congress were engaging in a vigorous debate over China policy--a debate from which the President was noticeably absent, until the very last moment. And when the President did speak, he tended to accentuate the positive with regard to his policy, leaving many tough questions

unanswered and many in Congress to wonder whether the President really had a plan to address their key concerns.

The 105th Congress accurately reflects the public's confusion and dissatisfaction with the President's China policy. Senator Connie Mack has characterized the Administration's policy as "*hollow engagement*" and is among the congressional chorus of advocates of a more "*meaningful engagement*" with China--one that more actively protects American security and promotes freedom and democracy in China.⁹¹ These are the two main goals by which U.S. policy toward China should be measured.

In addition to the above issues --human rights, trade issues, non-proliferation, Taiwan, Tibet -- the U.S. policy towards China has received an unusual amount of attention from the 105th Congress. The heightened level of interest has been driven by the emergence of important issues like -- the transfer of sovereignty over Hong Kong from Britain to China; Beijing's use of missile diplomacy in the Taiwan Strait; the visit of the Dalai Lama of Tibet to the United States; the 1996 campaign contribution controversy ('*donorgate*'); the 1996 Loral's (a U.S. aerospace company) alleged transfer of sensitive information to China, concerning missile guidance and control systems; Beijing's role in the emergence of Pakistan as a confirmed nuclear power; and well-publicized religious concerns. Interest in China policy is also driven by a general dissatisfaction with the Clinton approach to China, and the desire of many in Congress to craft new policy tools, to address specific concerns about China that have not been addressed sufficiently by

⁹¹ See Floor Statement by Senator Connie Mack on 27 July 1997, Introducing S.1083.

Clinton's policy or the extension of MFN.

The real drama in the China policy debate during the 105th Congress, however, was in seeing the first serious efforts by several Members of Congress to devise new policy options for the United States to address human rights and national security concerns with China outside the MFN framework.

Senator Spencer Abraham, on May 23, 1997, for example, introduced the China Sanctions and Human Rights Advancement Act (S. 810, later reintroduced as the **China Policy Act of 1997**),⁹² which was based on three principles: punish the transgressor; cut aid, not trade; and strengthen the promotion of democracy.

In the House, Representatives Porter and Dreier, at the urging of Speaker Gingrich, on June 26, 1997, introduced a bill (H.R. 2095), to address human rights and other concerns in China without sanctions or other trade restrictions.

With the goals of protecting American security and promoting freedom and democracy in mind, and after intense debate over China's trade status in 1997, conservative leaders outside of Congress came together to produce a statement of principles, their joint recommendations for China policy to guide the Administration and congressional leaders. These principles were reflected in 11 separate

⁹² "Statement of Principles on China Policy," signed at the Conservative Summit on China held at The Heritage Foundation on October 6, 1997, and chaired by former Attorney General Edwin Meese III. This statement was signed by such conservative leaders as Edwin J. Feulner of The Heritage foundation, Don Hodel of the Christian Coalition, and Gary Bauer of the Family Research Council. The objective was to unify conservative leaders on opposite sides of the China-MFN debate behind a common statement of principles. A full copy of the document and a list of signers are available at <http://www.heritage.org/heritage/asiaoffice/chinastatement.html>.

bills comprising the "**Policy for Freedom**"⁹³ package presented by Representative Chris Cox. Nine of these bills were passed overwhelmingly by the House of Representatives in November 1997, immediately following President Clinton's October summit with Chinese President Jiang Zemin in Washington (the other two had been added to other legislation passed during the summer). The Policy for Freedom package included bills that specifically addressed China's espionage activities in the United States, its human rights violations, its violent suppression of religion, its international purchases of nuclear technology, its arms sales to Iran, and its aggression against Taiwan.

Members of the 105th Congress have offered legislation protesting aspects of China's human rights record. These include specific bills dealing with prison conditions and prison labour exports (H.R. 2195, H.R. 2358); measures involving coercive abortion practices (H.R. 2570); measures dealing with China's policies toward religion (H.R. 967, H.R. 2431); and more general human rights legislation (H.R. 2095).

An additional set of bills concerns Taiwan -- in particular, offering policy prescriptions about Taiwan's entry into the World Trade Organization (H.R. 190) and about the U.S. role in helping Taiwan acquire a theater missile defense system (H.R. 2386) to defend itself

⁹³ The "Policy for Freedom" package is a collection of 11 separate bills, introduced by 11 separate sponsors, designed to address specific problems in U.S.- China policy with specific policy solutions. Under the leadership of Representative Chris Cox (R-CA), these 11 bills were shepherded through their various committees of jurisdiction and brought to the House floor under one rule (to be voted on consecutively). Two of the bills were added to other legislation passed by the House during the summer of 1997; the remaining nine were passed in early November 1997, barely a week after the presidential summit in Washington.

from military aggression.

Also, there is legislation concerning China's missile proliferation activities (H.R. 188), Radio Free Asia broadcasting to China (H.R. 2232), and China's participation in multilateral institutions (H.R. 1712, H.R. 2605). In addition, Members have introduced legislation to monitor activities of China's military and intelligence services (H.R. 2647, H.R. 2190). Many of these are stand-alone measures. But there are also several multiple-issue bills, such as the Foreign Relations Authorization Act (H.R. 1757), the China Policy Act (S. 1164), and the U.S.-China Relations Act (S. 1303), which combine some, or even most, of these issues.

Thus, denying MFN to China solves nothing, and extending MFN alone can not solve the wide array of U.S. concerns with regard to China's human rights, trade, and security policies. New legislation, like that contained in the Policy for Freedom package, is necessary to create specific policies that will address the specific problems in U.S. relations with China.

The question of whether to continue China's MFN status, comes up annually, before the Congress. As Members take this opportunity to assess U.S.-China relations, they should replace the mixed signals sent by the Clinton Administration with a consistent strategy for promoting America's long-term interests in Asia. Because of its size and rate of growth, China will have an enormous impact for good or for ill on U.S. interests. Therefore, it is prudent to improve the management of this critical relationship and to seek China's cooperation before forcing the American and Chinese people to pay the enormous security and economic costs of revoking MFN.

In the end, the Congress should express support for the *policy of engagement* which is honest, direct and principles and mutually beneficial. It should try to find channels, or create channels, for the discontent in America about one or another aspect of Chinese policy. It should avoid, indulging in repeated rhetorical, outbursts that gets in the way of an improving relationship. In Shakespearean terms, *lot of sound and fury but ultimately nothing*. With the goals of protecting American security and promoting freedom and democracy in mind, Congress should put aside debating whether China will become a hostile adversary or "inevitably" transform into a peaceful democracy. This doesn't mean that the Congress should cede all interests in China to the Administration. Instead the Congress and the Administration must work together to deploy all the policy and legal tools to influence Chinese behaviour. *"A combination of Clinton's carrots and Congress' sticks is likely to bring about systematic changes in China's behaviour,"*⁹⁴ concludes Lin Jendrzejczyk, of Human Rights Watch.

⁹⁴ Human Rights Watch/Asia, "China: State control of Religion," Commentary Issued by Asia Watch, a Human Rights Organisation, October 1997, p. 2.

CHAPTER 3

CONTENTIOUS ISSUES IN SINO-AMERICAN RELATIONS

The difficult issues in United States-China relations are complex, but the objectives of U.S. China policy are clear: to protect American security and to promote freedom and democracy in China. These objectives follow closely the priorities articulated in the Preamble to the U.S. Constitution: "provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity." This wise counsel has served the United States well through periods of great uncertainty for over two centuries. It is still relevant to the policies that America's leaders develop to address the most difficult issues in China policy for the 21st century.

Military Modernization. China has engaged in a determined effort to improve the capabilities and effectiveness of its three million-man People's Liberation Army (PLA). The PLA is actively purchasing advanced technology, including missile, aircraft, and naval technology, from Russia and other countries.⁹⁵ Leaders in Beijing were shocked during the Gulf War by the effectiveness of tiny Kuwait in securing the assistance of a U.S.-led coalition armed with high-tech weapons that easily defeated the conventional armaments of the formidable (at least in number) Iraqi Republican Guard. In seeking advanced weapons technology that it hopes will dominate Taiwan and deter U.S. support for the island republic, Beijing is determined to avoid such a parallel American response in defense of Taiwan. China

⁹⁵ For details on the PLA, see: Srikanth Kondopali, "The PLA, Higher Direction," *Asian Strategic Review*, 1995-96, p. 154-173.

is changing the balance of power in the Taiwan Strait by acquiring European and Russian technology to build high-resolution radar satellites; upgrading its ballistic, anti-ship, and land-attack cruise missiles; and acquiring new fighter jets, radar aircraft, and submarines.⁹⁶

China plans to increase spending on its military by nearly 13 percent in 1998. Expenditures on its three million-man army have increased sharply since the late 1980s, rising by double digits in most years despite a worldwide trend toward lower military budgets: by 21 percent in 1995, for example, and 12.7 percent in 1996.⁹⁷ China says its military budget is smaller than that of the United States, but actual spending is believed to be several times higher than reported. The Stockholm International Peace Research Institute estimated in 1996 that China's armed forces spent up to \$56 billion.⁹⁸

Years of economic growth have already enabled Beijing to allocate substantial amount of funds for weapons acquisition and military R & D efforts. The amount of this allocation cannot be easily determined in view of the fact that funding for weapons research and development is part of the culture and education section in the Chinese budget, and the money for weapons production and procurement comes under economic reconstruction. Moreover, with the Chinese decision to accede to the US-inspired international control regimes such as the NPT and the MTCR and the CTBT,

⁹⁶ Representative Chris Cox's Policy for Freedom legislative package recommends strengthening America's military presence in Asia, protecting Americans and U.S. allies against missile attack, and maintaining air and naval superiority in Asia to deter Chinese military aggression.

⁹⁷ See: Joe McDonald, "China to Boost Military Spending," Associated Press, 3 March 1998, available at <http://washingtonpost.com>

⁹⁸ Ibid.

China's military acquisitions and modernisation are no longer the target of these regimes. It has enabled the Chinese government to work for the capability expansion of the country's military establishment with only a little or no international noises.⁹⁹

Significantly, China's military modernization has not become a major issue of contention between Washington and Beijing. The American defence analysts in the Pentagon do not consider China's military capability as a substantial threat to the continental United States. When the former US Secretary of Defence, William Perry, visited India in 1995, he sought to impress upon the Indian policy makers, his perception that China's military technology was of very old vintage.¹⁰⁰ However, the Pentagon's view on China's military status is not shared by several American analysts. It is true that, unlike the former Soviet Union, China does not pose a formidable military challenge to the United States. However, the fact remain that China, through its nuclear and missile development, has developed a deterrent capability and its Intercontinental Ballistic Missiles tipped with nuclear warheads can reach the US territory. Those Americans who do not

⁹⁹ See Chintamani Mahapatra, "Major Post-Cold War Trends in India's Neighbourhood", *Strategic Analysis*, Vol. XIII No. 3, June 1999, p. 377. According to Jasjit Singh, "China has started publishing official figures of its defence expenditure, without giving any details whatsoever..... These figures however, very clearly, are not computed on the norms used by the international community. The actual expenditure on its military can, therefore, be only roughly estimated by various experts and agencies. Since the Chinese government does not provide detailed and accurate information, these international estimates are at best useful for showing trends and enable rough comparison between different periods in the People's liberation army's (PLA's) growth since the mid-1960s. The Stockholm International Peace Research Institute (SIPRI), in fact, stopped estimating Chinese military expenditure since 1986. The Military Balance also till recently used only official defence expenditure figures but it has now again started making its own estimates on china's defence spending other international estimates available for the purpose are those provided by the US Army Control and Disarmament Agency (ACDA) of the US government in its annual data on world military expenditures." For details see Jasjit Singh, "Trends in Defence Expenditure," *Asian Strategic Survey*, 1995-96, p. 41.

¹⁰⁰ For details see: Chintamani Mahapatra "Indo-US Relations into the 21st Century," New Delhi 1998.

consider China as a responsible power express worry about China's military modernization.

As of today, the US Administration does not express concern about China's military modernization. But, the US legislators are increasingly apprehensive about China's intentions in the wake of incidents involving Chinese nuclear espionage activities in the US. Sooner or later, Chinese military modernization may lead to increased security diversions between the US and China. After all the neighbouring countries around China have been experiencing considerable discomfort over Chinese military activities. The US has to come to terms with it, particularly in the context of maintaining Asian stability.

Proliferation Concerns. The military modernization of China causes less concern in Washington than export of WMD-related equipment and technology by China to other countries, suspected of having WMD-programmes. There have been cases of congressional uproar against supply of Chinese missiles to some of the middle Eastern Countries. There have also been debates in the Congress regarding Sino-Pak co-operation in nuclear and missile programmes. Significantly, the US Administration and Congress, often did not see eye-to-eye on the issue. The US Administration was accused in the past of either ignoring or only mildly reacting to Chinese misbehaviour in the area of proliferation concerns to the United States.

Interestingly, the Regan and the Bush Administration occasionally supported the idea of establishing nuclear co-operation with China even in the backdrop of a series of reports implicating China of

promoting proliferation. The US Administration justified such a policy by saying that co-operation with China would encourage that country to abide by the goals of non-proliferation.

The 1985 nuclear co-operation agreement between the US and China for instance was negotiated in the midst of American concern over China's assistance to unsafeguarded nuclear weapons programmes of other countries, including Pakistan. The argument of the Reagan Administration was that it would encourage China to promote its non-proliferation efforts. The billions of dollars of bilateral assistance programme to Pakistan was similarly based on the logic that it would encourage Pakistan to abandon the nuclear path. While congressional opposition and china's record in promoting proliferation made it difficult for the implementation of the bilateral nuclear cooperation agreement, the Reagan and Bush Administrations did not hesitate to certify Pakistan's nuclear virginity for five years. As a result, China continued to assist Pakistan's weapons of mass destruction (WMD) programmes and Pakistan could acquire nuclear weapon capability. The noble goals of US legislations and bilateral assistance programmes were not achieved.¹⁰¹

During the first US-China Summit in the last eight years, in October 1997, one of the most important deals struck between President Bill Clinton and Visiting Chinese President Jiang Zemin was on nuclear cooperation between the two countries. As part of the agreement, China reportedly agreed to enact and implement new export controls over nuclear material, equipment and technology and also agreed to

¹⁰¹ Chintamani Mahapatra, "American Approach to Sino-Pakistan Nuclear and Missile Cooperation," *Strategic Analysis*, vol. 21, no. 10, January 1998, P. 1408.

join the Zangger Committee, an international regime that coordinates efforts by the nuclear countries to control exports in the same material and equipment. More significantly from Indian perspectives, the Chinese President reportedly gave assurances to the US Administration that China would not assist unsafeguarded nuclear programmes and facilities in countries such as Pakistan and Iran. Bill Clinton on his part agreed to certify to the US Congress that China was no longer promoting proliferation. This in turn would enable american companies to export nuclear power technology to China.¹⁰²

In the months preceding Jiang Zemin's visit to the US, several reports appeared indicating China's activities which would ideally make it difficult for Clinton to give a clean chit to China in his report to Congress. It was reported in the US media in April 1997 that, according to an ongoing federal investigation in the US, China had been diverting US machine tools to a military production facility. Records from a Catic (Chinese state-owned company) subsidiary in Southern California demonstrated that the Nanchang Aircraft Company had been the intended destination all along. In the same month, US Deputy Assistant Secretary of State, Robert Einhorn, said in a testimony before the senate Governmental Affairs Subcommittee that China had not stopped its assistance to Pakistan's nuclear weapon programme and that "concerns about transfers of missile-related components, technology and production technology persist, raising serious questions about the nature of China's commitment to abide by the MTCR (Missile Technology Control Regime) guidelines." Another State Department official commented in the same month that China

¹⁰² Ibid., p.1407.

had done little to improve export controls and without improvements President Bill Clinton could not authorise implementation of the 1985 nuclear cooperation agreement.

In June 1997, it was reported that china had purchased 47 supercomputers from the US since the easing of export controls in 1995. As this figure was mentioned by William Reinsch, Under-Secretary of Commerce for Export Administration, in his testimony, Senator Thad Cochran sought to introduce legislation to restrict sales of computers even below the 2000 MTOPS performance level if they could be upgraded. He said: "We think many of the supercomputers sold to China are being integrated into the military weapons development area in a way that is going to make their weapons more sophisticated and lethal, and this could jeopardise our own national security interests." Reinsch criticised the proposed legislation on the ground that it "is an off-the-shelf, ubiquitous technology using off-the-shelf precursors. Since this technology is out of the box, you can't control it." In the same month, an unclassified Central Intelligence Agency (CIA) report, which covered proliferation events from July to December 1996, said: "During the last half of 1996, China was the most significant supplier of WMD-related goods and technology to foreign countries. The Chinese provided a tremendous variety of assistance to both Iran's and Pakistan's ballistic missiles programmes. China also was the primary source of nuclear-related equipment and technology to Pakistan...."¹⁰³

¹⁰³ *New York Times*, 23 April 1997, *Arms Control Reporter*, July 1997.

It was once again in the same month that Press reports appeared, citing the CIA sources, about China's assistance in construction of an M-11 missile plant in Pakistan. The CIA believed, according to the reports, that the plant had been visited by a dozen engineers from the China Precision Machinery Import-Export Corporation, which was responsible for the marketing of the Chinese missiles abroad. There were allegations in the US that President Clinton tended to ignore the CIA evidence to preserve US-China trade relations. The White House apparently assured that the information would not be "overlooked" and that the Administration would "make appropriate determinations and take appropriate action."¹⁰⁴

In July, Secretary of State Madeleine Albright raised the issue with Chinese Foreign Minister, Qian Qichen, in Hong Kong that China had not only diverted a US-origin supercomputer to a defence and scientific research institute in Changsha of the Hunan province but also had earlier refused an American request to check the location of the computer, which was intended for a scientific institute in Beijing. A couple of months later, President Clinton was prepared to accept the Chinese assurances to strengthen their export control measures and giving up their assistance to unsafeguarded nuclear facilities in Pakistan and Iran.¹⁰⁵

It may be added here that there are "strong indicators" of a continuing offensive BW programme, and despite China's accession to the BWC in 1984, it is "highly probable" that it is still not in compliance.¹⁰⁶

¹⁰⁴ Ibid.

¹⁰⁵ Chintamani Mahapatra, "American Approach to Sino-Pakistan Nuclear and Missile Cooperation," *Strategic Analysis, Vol. XXI, No. 10, January 1998, P. 1409.*

¹⁰⁶ Allan S. Krass., "The United States and Arms Control: The Challenge of Leadership," Westport Connecticut, London 1997, p. 41.

Taiwan. From 1956 to 1978, the United States had a mutual defense treaty with the Republic of China (ROC) on Taiwan. Since 1979, U.S. relations with the ROC have been governed by the Taiwan Relations Act (TRA), which outlines the direct U.S. commitment to the maintenance and development of Taiwan's defense capabilities.¹⁰⁷

According to Li Daoyu's: "It should be pointed out that Taiwan is the most important and most sensitive issue in China-United States relations. If it is handled wrongly, it can be the biggest obstacle to the sound growth of relations. The Taiwan question is at the heart of the three Sino-United States joint communiques, namely, the Shanghai Communiqué of 1972, the Joint Communiqué on the Establishment of Diplomatic Relations between China and the United States of 1979, and the joint communiqué of August 17, 1982, concerning United States arms sales to Taiwan. In these documents, the United States explicitly acknowledges that there is but one China, and Taiwan is part of China. It explicitly recognizes that the government of the People's Republic of China is the sole legal government of China, and that within this context, the people of the United States will maintain cultural, commercial, and other unofficial relations with the people of Taiwan. The United States reiterates that it has no intention of infringing on Chinese sovereignty and territorial integrity, or of interfering in China's internal affairs, or of pursuing a policy of "two Chinas" or "one China, one Taiwan." It also states that it does not seek to carry out a long-term policy of arms sales to Taiwan and pledges to gradually reduce its sales of arms to Taiwan, leading to a final resolution. On many occasions U.S. government leaders have reaffirmed the United States' commitment to the "one China" policy and to the three Sino-United States joint communiques. It is our hope that these commitments will be truly honoured."¹⁰⁸

It is a matter not just of national honour, but of U.S. law that Washington continually assesses the balance of power across the Taiwan Strait, sells Taiwan arms of a defensive nature, and devises a strategy to ensure that any resolution of the standoff between Taiwan and Beijing is achieved by peaceful means and is acceptable to both sides of the Strait.

¹⁰⁷ For the full text and key excerpts of the 1979 Taiwan Relations Act, see <http://www.heritage.org/heritage/assioffice/tra.html>

¹⁰⁸ See: Li Daoyu, "The view from China", *Preparing America's Foreign Policy for the 21st Century*: Oklahoma, 1999, p. 47.

In 1979, when the United States switched recognition from Taipei to Beijing and announced that it would terminate its defense treaty with Taiwan. Tensions between the PLA and the Taiwan's armed forces diminished in the Taiwan's Strait. Reassured by restrained but substantial U.S. sales of defensive weapons, Taiwan's growing sense of security enabled it to end martial law. Dialogue and peaceful interaction gradually superseded military confrontation in the Taiwan Strait. China, the mainland became Taiwan's largest export market; some \$25 billion have been invested in China by Taiwan till now.¹⁰⁹

The "one-China" policy of the US was based on the belief that American interests would be far better served by the gradual coming together of the two sides of the strait than by their separation. US aimed at creating conditions conducive to negotiation between Taiwan and Beijing and resisted unilateralism from either side. The rebirth of tensions in the Taiwan Strait is the result of this policy framework's breakdown, which arose from Taiwan's understandable dissatisfaction with the status quo. As a modernized, democratic society and a major trading economy, Taiwan sought international recognition and identity. Taipei unilateral action, in absence of United States' firm support, to alter the status quo led to Beijing's unilateral actions to enforce it. As Taipei sought to introduce the nations of "two Chinas" or "one China, one Taiwan" as alternatives to either the status quo or reunification, the modus vivendi that had benefited both sides collapsed.¹¹⁰

¹⁰⁹ See: Chas W. Freeman Jr. "Sino-American Relations: Back to Basics," *Foreign Policy Spring* 1997, p.11.

¹¹⁰ *Ibid.*, p. 12.

However, when political means failed to produce a change of course by Taipei, Beijing turned to military means. Beijing switched to military means, and deployed huge military and fired missiles in the Taiwan Strait, to persuade Taiwan to stop challenging the 1979 "one-China" policy and or to prejudice the prospects for ultimate reunification. But the strategic costs to China of its military shows of force were disproportionate to Beijing's modest objectives. The PLA's maneuvers and missile firing in the Taiwan Strait provoked U.S. naval deployments to counter them.¹¹¹

As expected, Washington's reaction, against the flexing a China's military muscle in the Taiwan Strait was prompt and sharp. Secretary of State Warren Christopher accused China of "reckless" provocation against Taiwan and announced the US decision to dispatch a carrier battle group led by the aircraft carrier *Independence* closer to Taiwan, to be joined subsequently by another aircraft carrier, the *USSS Nimitz*. The implicit message was that the United States was seriously concerned about the Chinese high-handed behaviour in the region. But, at the same time, the goal was also the reassure the regional countries that the United States was still a Pacific power and that it would play its part in maintaining peace and security in the region. As the Chinese went ahead with their missile tests, the House International Relations Asia-pacific Sub-committee approved a non-binding resolution on March 13 which said that the United States "should assists in defending (Taiwan)--against invasion, missile attack or blockade by the People's Republic of China." Around this time, the Pentagon officials announced a \$1.5 billion deal to provide

¹¹¹ Ibid., p. 13.

Taiwan with 150 F-16 fighter aircraft. Although it was an old deal dating back to 1993 and was part of an overall deal worth \$6 billion, the announcement was timed to assure Taiwan and to warn China.¹¹²

China responded to the American attitude by announcing another round of military exercises "dangerously" close to an island controlled by Taiwan and warning Washington by saying "if some foreign force makes a show of force in the Taiwan Strait that will not be helpful but will make the situation all the more complicated."¹¹³ In the midst of this war of words, the US House of Representatives overwhelmingly approved a non-binding resolution, later endorsed by the Senate as well, that the US should defend Taiwan in the event of an invasion by China.¹¹⁴

The fact that the mainland "tested" nuclear-capable missiles off the shores of Taiwan in 1995 and 1996, and the fact that Taiwan is a thriving democracy and an important U.S. trading partner, make the provisions of the TRA all the more imperative.

A second issue regarding China and Taiwan is their applications for membership in the World Trade Organization (WTO). Taiwan's application as a separate customs territory has progressed further and faster than has China's application, due largely to Taiwan's high level of economic development and free-market institutions. Economic freedom kept Taiwan's economy strong in the midst of the Asian financial crisis. Taiwan ranks seventh among the 156 economies studied in the 1998 Index of Economic Freedom. Taiwan is

¹¹² See: Chintamani Mahapatra, "The Eagle and the Dragon After the Cold War" *Strategic Analysis*, May 1996, p. 240-241.

¹¹³ *Far Eastern Economic Review*, 13 July 1995.

¹¹⁴ See: Chintamani Mahapatra, "The Eagle and the Dragon After the Cold War" *Strategic Analysis*, May 1996, p. 241.

categorized as free largely because of its low levels of protectionism and government intervention in the economy, as well its stable monetary policy and very high level of property rights protection. The U.S. Trade Representative (USTR) announced in February the conclusion of a market access agreement with Taiwan, thereby eliminating a key hurdle in the way of Taiwan's WTO entry. However, many in Taiwan and the United States now fear that the Clinton Administration will try to placate Beijing by stalling Taiwan's entry into the WTO until the PRC itself is ready to join. Clinton's announcement during his China visit , that "Taiwan had no right to independence and that it should not join any organization that required statehood as a prerequisite for membership."¹¹⁵

The most important human rights issues in Taiwan are the continuation of clean and competitive elections at all levels of government and the struggle to resist the military threat and diplomatic isolation imposed by Beijing. Taiwan has undergone a remarkable transformation from a one-party authoritarian state with no tolerance for dissent to a competitive multiparty government with direct elections at every level and a free press.¹¹⁶ In fact, one of the key challenges for Washington is to decide how to react if the free people of Taiwan, through their democratic process, choose to declare formal independence from China--a move that promises to bring a harsh, possibly military response from Beijing. Similarly, with their successful economic development and democratization, the people of Taiwan deserve to have their democratically elected representatives

¹¹⁵ From the statement of President Clinton given during the roundtable discussion at Shanghai during his June 1998 China visit: *White House Press Release*, 28 June 1998.

¹¹⁶ Joseph Nye, "A Taiwan Deal," *Washington Post*, 8 March 1998.

participate in international organizations and forums, especially those dealing with economic and social issues. Beijing's success at excluding Taiwan's representatives from international organizations and meetings violates the rights of the people of Taiwan, and the governments of the developed world are partly to blame for caving in to Beijing's unreasonable demands. The U.S. government should play no part in this shameful containment of a free-market democracy.

Trade and Economic Issues. China is one of the world's fastest growing economies, and trade analysts agree that its potential as a market will increase significantly in the future. Issues involving trade with China have factored heavily into U.S. policy debates. Between 1991 and 1996, U.S. exports to China increased by 90.5%, while U.S. imports from China surged by 171.4%. The U.S. trade deficit with China has surged accordingly, from a \$2.8 billion deficit in 1987 to nearly \$60 billion in 1998 making China the second largest deficit trading partner of the United States, after Japan. (See CRS Issue Brief 91121, China-U.S. Trade Issues.)

Economic and trade related issues have been a continuing source of tension in U.S.-China relations. China's past ineffectiveness in protecting U.S. intellectual property, its lack of transparent trade regulations, and its high tariff rates all have contributed to these debates. Presidents Clinton and Jiang discussed economic issues at the October 1997 summit. Among other things, the two leaders agreed to intensify talks on China's application to the World Trade Organization (WTO). China has sought membership in the world's international trade agreements since 1986, when Beijing began negotiating to join the general Agreement on Tariffs and Trade

(GATT), the WTO's predecessor. China has argued that it has already made substantial economic reforms, and that these should be sufficient to qualify it for WTO membership. For instance, at its 15th Party Congress, which began on September 12, 1997, China announced a reduction in the average tariff rate from 23% to 17%, and announced it would initiate a major restructuring program of its floundering and heavily subsidized state-owned enterprises. The United States has insisted that what China has done so far is insufficient, and that further reforms are necessary prior to China's WTO accession.¹¹⁷

Most-Favoured-Nation (MFN) Status. The annual renewal of China's MFN status continues to remain controversial. Each year by June 3, the President may recommend that Congress renew his authority to waive restrictions on China's MFN eligibility, thus effectively extending MFN status to China for another year. If recommended by the President, the renewal is automatic, and Congress need not act. The renewal can be blocked, however, by enactment of a joint resolution of disapproval within a specified time frame. Although joint resolutions of disapproval have been introduced for China each year since 1990, none has passed both houses. In fact, most of the debate about China's MFN eligibility since 1990 has involved separate legislation which would either place new conditions on China's MFN eligibility, or legislation addressing a range of contentious issues other than MFN.¹¹⁸

¹¹⁷ Harry G. Broadman, *"The Chinese State as Corporate Shareholder,"* a paper prepared for the China/WTO Accession Project (March 1998), p. 1.

¹¹⁸ Laura Myers, "Debate over MFN looks like Summer Scorchers," *New York Times*, 2 June 1997.

The issue of most favored nation (MFN) trading status for China has been complicated unnecessarily by a misunderstanding of what MFN means. "MFN" is trade jargon for the normal status the U.S. grants to virtually every trading partner. In fact, with the exception of six small countries, every nation in the world has received MFN status.⁶ Even Iraq, a nation that the United States may yet again confront in war, has not been denied. Furthermore, the North American Free Trade Agreement (NAFTA) and other free-trade agreements offer more favorable terms than does MFN status.¹¹⁹

MFN is also frequently misunderstood as a policy tool. It is a trade policy and part of trade negotiations (especially for joining the WTO). Because the Jackson-Vanik Amendment to the 1974 Trade Act denied MFN to all non-market economies that do not allow free emigration (a policy which was aimed largely at freeing Soviet Jews), MFN has been mistaken for an anti-communist human rights policy. Although Jackson-Vanik may have served its purpose during the height of the Cold War, however, the global environment has changed. The Soviet Union no longer exists, and even if all the nations of the world allowed free emigration, the United States would not allow free immigration.

Denying MFN to China solves nothing, and extending MFN alone cannot solve the wide array of U.S. concerns with regard to China's human rights, trade, and security policies. First, MFN is not a human rights policy. Many Americans believe expanding China's fledgling private sector through trade is an effective way to promote greater freedom in China. But MFN alone cannot address all human rights

¹¹⁹ Ibid.

and national security concerns. Second, "most favored nation" is outdated trade jargon. Any treatment that is granted to all but six small countries can hardly be considered special. The fact that the United States has maintained a tough trade embargo on Iraq without revoking MFN demonstrates that MFN is not a relevant diplomatic or foreign policy tool.¹²⁰

However, MFN still remains a contentious issue between US and china, since extension of MFN coincides with the emotional friction between the China and the US over the human rights issue. The Tiananmen Square incident's anniversary falls in the first week of June every year, which happens to be the time when the US President would have to renew China's trade status.

More than MFN the rising trade deficits of the US vis-à-vis China, has become an important point of friction between the two countries. The US, Secretary of Commerce, William Daley in his remarks to the World Affairs Council on 21 October, 1998 said: "The very first Commerce Secretary to go there (China) was Juanita Kreps, who served under President Carter. She went just under 20 years ago. Since her trip, our \$2.5 billion trade surplus with China is turning into a \$60 billion trade deficit this year. That does not sit well with me, with President Clinton, with Congress, or with American firms and workers. The lack of openness in China is bad for business, and it is bad for our overall relationship. And, frankly, it may stimulate a domestic backlash if it persists much longer. And let me say there is another troubling trend developing. We are China's third largest investor. And more than ever, China is imposing requirements that

¹²⁰ Rich Lowry, "MFN a Diplomatic Tool," *Washington Post*, 12 May 1998.

companies make products there, rather than export. And increasing China is making all kinds of demands on these investments. They are telling our companies to bring to the table their technology, their know-how, their expertise, their capital."¹²¹

The significance of this fact has been enhanced, as China is second only to Japan in maintaining a favourable trade balance with the US and threatens to surpass Japan in the foreseeable future.¹²² The Chinese protectionist measures and unwillingness to open-up the domestic market for foreign traders constitutes, yet another area of trade - irritants. Alleged flagrant violation of Intellectual Property Rights, by the Chinese has been a longstanding issue of friction between the US and China.

While the Americans have a series of complaints against China in economic and trade related issues, the Chinese government and some Chinese companies have their own set of grievances against the United States.

Some of the Chinese high-tech companies have begun to lobby in Beijing against import of American high-tech equipment, on the ground that such a policy goes against the interest of the domestic companies. The Chinese government, on the other hand, has often showed its impatience against the incessant demands from the United States. While, Beijing considers its economic reform to be substantial for acquiring the membership in the WTO, the American trade

¹²¹ Remarks by Secretary of Commerce, William Daley, World Affairs Council, Washington DC, 21 October, 1998. This source was downloaded from the Internet.

¹²² Testimony of Stanley O. Roth, Assistant Secretary of State for East Asia and Pacific Affairs, US House International Relations Committee, Asia and the Pacific Sub-Committee, 10 February, 1999.

negotiators brand the Chinese measures as insufficient. After years of negotiations, Washington recently indicated its approval of China's entry into the WTO. Sooner than later, China is going to be the member of the WTO. Nonetheless, Chinese membership in the trade organization is unlikely to culminate in the end of US-China trade friction.

Human Rights. China's human rights abuses have been among the most visible and constant points of contention in U.S.-China relations since the 1989 Tiananmen Square crackdown. China's human rights record since then has presented a mixed picture, with both setbacks and minor improvements providing plenty of ammunition for policy debate. The U.S. State Department's 1997 report on human rights practices painted a somewhat more optimistic view of the human rights situation in China than in previous years, although the report concluded that serious problems remained. In the word of the report, negative aspects of China's human rights record included the following:

"...torture and mistreatment of prisoners, forced confessions, and arbitrary arrest and lengthy incommunicado detention. Prison conditions at many facilities remained harsh. The Government continued tight restrictions on freedom of speech, the press, assembly, association, religion, privacy, and worker rights....Serious human rights abuses persisted in minority areas, including Tibet and Xinjiang, where tight controls on religion and other fundamental freedoms continued and, in some cases, intensified."¹²³

This report catalogs instances in which the Chinese government has used intimidation, harassment, or brute force to control free expression, religion, family planning, and other aspects of Chinese life. It demonstrates that Beijing has taken a particularly harsh stand

¹²³ U.S. Department of state, China Country Report on Human Rights Practices for 1997, January 30, 1998, available at http://www.state.gov/www/global/human_rights/1997_hrp_report/china.html, p. 2.

against religious organizations that refuse to register with the government. According to Nina Shea, director of the Religious Freedom Project at Freedom House, "China today has more Christians in prison because of religious activities than any other state."¹²⁴ Believers within the Roman Catholic Church, for example, are forced to affiliate with the government-sanctioned Catholic Patriotic Association, which does not recognize the ultimate earthly authority of the Pope. Foreigners also face tight restrictions in exercising their religious rights inside China. Decrees issued in recent years bar them from importing Bibles and religious tracts for distribution, as well as evangelizing, establishing schools, and appointing religious leaders.¹²⁵

Although Americans have long been aware of the problems that must be addressed in China, how to resolve these problems most effectively has been the subject of heated and serious debate.¹²⁶ Some have called for a boycott of Chinese-made goods or other formal linkage of trade to progress on human rights. 'Trade is not an endorsement of China's treatment of its people.'¹²⁷ In fact, in a country like China that has a small private sector, trade can help people escape the government's intrusive social controls. Government firms in China control the lives of their workers by making them dependent on subsidized food, shelter, clothing, child care, and education. Government workers must obey "voluntary" regulations like the "one child" policy or risk losing their benefits. Employees at private firms earn higher wages and are

¹²⁴ Nina, Shea., "In the Lion's Den" (Nashville, Tenn.: Broadman & Holman, 1997), p.57.

¹²⁵ Ibid., p. 59

¹²⁶ Representative Chris Cox's Policy for Freedom legislative package promotes freedom and democracy in China by increasing the number of U.S. officials in China assigned to work on human rights, religious, and security affairs; promoting private-sector expansion in China; reaching out to religious believers; and speaking out on behalf of political and religious prisoners.

¹²⁷ Washington Post 13 July 1996, p. 1, available at <http://washingtonpost.com>

free to choose where to live, what to eat, and how to educate and care for their children. As the private sector in China grows, so too will the scope of these freedoms. 'Trade is no substitute for a human rights policy, but a proper human rights policy should punish the transgressor (China's government), not the victims of oppression (ordinary people).'¹²⁸

Others have called for greater access to China through commerce and trade as the way to bring about greater individual liberty and respect for human rights. U.S. House of Representatives Speaker Newt Gingrich A) framed the latter viewpoint well in remarks to the Foreign Affairs College during his visit to Beijing on March 29, 1997:

"America cannot remain silent about the basic lack of freedom--speech, religion, assembly, the press--in China. Were we to do so, we would not only betray our own tradition, we would also fail to fulfill our obligations as a friend of China. For no one can be considered a true friend if that person avoids the truth.... The historic truth is that economic vitality ultimately depends upon political freedom."¹²⁹

According to the Americans the various negative aspects of Chinese human rights are:

- The PRC Constitution states that the "Citizens of the People's Republic of China enjoy freedom of religious practice ." Yet through a registration process, the government monitors membership in religious organizations, meetings, religious training, clergy selection,

¹²⁸ Senator James P. Moran, "China and Human Rights," *International Herald Tribune*, 11 May 1998.

¹²⁹ Quoted in Human Rights Watch / Asia, "China: State control of Religion," p. 15; from "Estimated Statistics of Chinese Catholic Church, 1996," *Tripod*, vol. 24, no. 96, p. 70.

publication of religious materials, and funding for religious activities. This control, exercised by the Religious Affairs Bureau under the State Council, also violates Article 18 of the Universal Declaration of Human Rights.¹³⁰

- In October 1997, the government signed the United Nations International Covenant on Economic, Social and Cultural Rights (ICESAR) and allowed the United Nations Working Group on Arbitrary Detention to visit China. During 1997, a number of dissidents, academics, and former officials issued public statements, letters, or petitions challenging the government's policies and advocating political reform.¹³¹

- China has not yet signed or ratified the United Nations International Covenant on Civil and Political Rights (ICCPR), although it has announced its intention to do so. This covenant, more than the ICESAR, recognizes and protects fundamental civil liberties like those outlined in the U.S. Bill of Rights. China pledged in the Joint Declaration to apply the protections outlined in this covenant to Hong Kong.

- The Chinese government's efforts to introduce a measure of democratic voting and assembly procedures represent a definite and positive step forward in the nation's delicate move toward a more democratic and participatory form of local government.¹³² However, these democratically elected local officials lack the authority to change the national family planning policy or to improve the country's

¹³⁰ Ibid.

¹³¹ Nancy Pelosi, "Renew Fight for Human Rights in China," Press release by Congresswomen Nancy Pelosi, 10 December 1998.

¹³² International Republican Institute, "*People's Republic of China Election Observation Report*," May 15-31, 1994, and May 1995.

incomplete legal and judicial process. As the level of government closest to the people, and faced with the discipline of competitive elections, these officials are more responsive to the interests of the people. "Local village elections may seem like a small step, but they make a significant difference to the more than 800 million Chinese citizens who live in rural areas and now enjoy a small measure of democracy."¹³³

- Hong Kong: For the United States, the key human rights issues in Hong Kong are the status of the civil liberties enshrined in Hong Kong's Bill of Rights and the degree of progress that is (or is not) made toward the objective--outlined in the Joint Declaration and Hong Kong's Basic Law--of establishing a government by universal suffrage. With the resumption of Chinese sovereignty over Hong Kong in 1997, a chief executive was appointed to replace the colonial governor, and a provisional legislative council was selected to replace the Legislative Council that had been elected democratically in 1995. Since that time, key civil liberties ordinances have been amended so that the freedoms of assembly and association are more tightly regulated, but there have been no reported cases of demonstrations that have been stopped or associations that have been shut down as a direct result of those amendments.

The appointed provisional legislature also passed a new election law to govern the election in May 1998 of the first Legislative Council of the Hong Kong Special Administrative Region (SAR). The Democratic Party and its allies, the majority in the Legislative

¹³³ Ibid.

Council elected in 1995, boycotted the establishment of the provisional legislative council and expect to have many fewer seats in the new Legislative Council than they had won in the 1995 election--partly because of changes made in the election law. These civil liberties, the continuation of democratization, a free press, and free markets are all critical elements in Hong Kong's future success and are crucial to the protection of U.S. interests in Hong Kong.

Hong Kong's future will have a tremendous impact on the long-held interests of the United States in regional peace and stability. Because much U.S. trade and investment in China flows through Hong Kong, maintaining a free, open, and safe business environment in Hong Kong is vitally important to U.S. access to China's markets. More important, the approach Beijing takes in dealing with free-market democracy in Hong Kong will be a key indicator of how Beijing intends to deal with Taiwan and other free-market democracies in Asia. Encroachment on the freedom and autonomy of Hong Kong, or an assertive Chinese military presence there, will fuel cross-Strait tension with Taiwan and heighten already growing security concerns throughout Asia.

- Tibet: Tibet remains a remote and tightly controlled area inside of China, and the status of the Dalai Lama, religious freedom, the future of democracy, and the promise of government and cultural autonomy for Tibet remain unresolved issues.

Human rights and religious freedom in Tibet are two of the key issues discussed every year during the MFN debate. It is unclear when, if ever, the United States has declared an official policy specifically toward Tibet. Almost by assumption, Tibet has been recognized as

part of China, not as an independent country, even though history may say otherwise.¹³⁴ What is clear is that ever since the Communist Party established control over the region in the 1950s, Tibetans have endured periods of starvation, intense religious persecution, and gross violations of human rights, all in the name of Chinese national unity. At the bidding of human rights activists in the United States, including famous Buddhist actors in Hollywood, the U.S. government is urged annually to craft and improve U.S. foreign policy tools to pressure Beijing to deal with the Dalai Lama, the exiled Tibetan leader, and to loosen Beijing's tight controls over Tibet.

Whereas various section of American populous, the legislatures, human rights groups, columnists and others keep making noises over violation of human rights in China, the Chinese government strongly refuses to buy the western liberal interpretation of the concept of human rights. According to Li Daoyu:

"we are living in a diverse world. China and the United States differ in social systems, historical backgrounds, cultural traditions, values, and levels of economic development. It is therefore not surprising that they have different views on human rights. Some people in the United States use American standards of human rights to judge whether democracy exists in China. This is not the right way to look at it. China has its own national circumstances, just as the United States does. Under China's democratic system, the Chinese people enjoy extensive freedoms and human rights, although they are not expressed in the same ways as in the united States. China's form of

¹³⁴ Richard D. Fisher, "Chinas Arms Require Better U.S. Ties with Taiwan," *Backgrounder*, No. 1163, 11 March 1998.

democracy is that chosen by the Chinese people, just as yours is the choice made by the American people.

The Chinese government attaches great importance to promoting human rights. In keeping with the principles of universality of human rights and China's specific national circumstances, China has made great efforts to ensure the rights to survival and development for the Chinese people. At the same time, China has stepped up the development of democracy and the rule of law to advance the civil and political rights of its people. China also takes an active role in United Nations efforts to promote and protect human rights. It has become party to seventeen international human-rights instruments, two more than the United States has. As another step forward, China has decided to sign the International Covenant on Economic, Social, and Cultural Rights."¹³⁵

The US-China bilateral tension over the human rights issues is perhaps well argued by Bates Gill. In an article in *Foreign Affairs* July-August, 1999, Gill writes: "The question of human rights in China comes closest to a true ideological divide between Washington and Beijing. The Chinese leadership strictly limits any organization's ability to challenge the ruling party. Beijing's crackdown on efforts to form an opposition party and its stepped-up surveillance of unauthorized religious activities are only the most recent manifestations of this consistent policy. In addition, China's judicial system remains arbitrary and often corrupt, with political prisoners usually receiving the worst treatment. The Western conviction that

¹³⁵ See: Li Daoyu, "The view from China", *Preparing America's Foreign Policy for the 21st Century*, Oklahoma, 1999, p. 41-42.

state power stems from the people rather than vice versa is an alien idea. Yet in the past, American administrations came to see human rights as a Chinese domestic issue, secondary to fundamental U.S. interests. Recently, however, humanitarian and security interests have become increasingly intertwined for the United States. China has watched American military involvement in the former Yugoslavia with growing concern, fearing what such a precedent may mean if and when China quells strife in the increasingly restive ethnic regions of western Xinjiang and Tibet or if China uses force to take Taiwan. The official Chinese news agency pulls no punches on this question, declaring that the U.S.-led NATO attacks against Yugoslavia are nothing but hegemonism under the pretext of humanitarianism.

The NATO bombing of the Chinese Embassy in Belgrade exacerbates all the more China's long-simmering resentment over what it sees as abusive American unilateralism. Indeed, all that China opposes in the U.S.-led NATO action in Serbia-American aggression, the trampling of state sovereignty, excessive force--has been intensely magnified by the single action of destroying the Chinese embassy. This tragic event cuts to the very core of Chinese grievances with the current world order, illustrating U.S. dominance, highlighting China's relative weakness, and violating China's long and passionately held principle of noninterference in the internal affairs of other states."¹³⁶

Asian Stability: American policy-makers seek a prosperous, cooperative, more politically-tolerant China that continues to see its fortunes inextricably intertwined with the rest of Asia and the West; a China that is as much a partner for peace in Asia as they hope Russia

¹³⁶ See: Bates Gill, "Limited Engagement," *Foreign Affairs*, Vol. 78, No. 4, July-August, 1999, p.70-71.

will be in Europe; a China which may not joyously welcome, but is at least accepting of and not actively working against, a continued American security role in the region. They also desire (and expect to see) a peaceful solution to the China-Taiwan problem that respects the concerns and aspirations of the Chinese people on both sides of the Strait.

While this vision should not appear threatening to China, it does not coincide with the vision of PRC officials and Chinese security analysts regarding Asia's future. They would clearly prefer an Asia in which China and not the U.S. plays the primary regional balancer role; where a reunified Korea looks to Beijing for its principal security guarantees; where U.S. military forces at a minimum no longer reside on the Korean Peninsula and, ideally, are nowhere else in Asia as well -- Beijing already characterizes America's bilateral security alliances as Cold War vestiges left over from history -- and where Japan's regional leadership role (politically and economically) is kept to a minimum.

China is intensely suspicious of US-Japan security alliance. In April, 1996, President Clinton and Prime Minister, Hashimoto issued a Joint Declaration on Security. In September, 1997 the two countries released a revised Defense Guidelines, which marked a new era in US-Japan relation and regional security. The revised guidelines would allow Japan to play a more definitive role in responding to situations in areas surrounding Japan. Moreover Japan would provide the US military access to its air-fields, ports, transportation, logistics, and medical support. It is important to note that the indefinite extension of the US-Japan alliance and the issue of the revised Defense

Guidelines followed the crisis over the Taiwan Strait, marked by the Chinese missile tests. Beijing interpreted this move as an anti-China strategy and issued a warning against any external interference in Taiwan.

China's view of itself as the future regional balancer is not surprising, at least not from a "Middle Kingdom" perspective.¹³⁷ Nor is it necessarily threatening, although it has the capability of becoming so if Beijing tries to force this role on the region rather than letting it evolve (or fail to evolve) naturally. But, if China is actively seeking substantially diminished U.S. presence and influence in the Asia Pacific region (including a termination of America's bilateral alliances), their objectives clearly run contrary to U.S. interests and aspirations, and to the stated desires of the vast majority of nations in the region. These nations, in large part, share and endorse the U.S. future vision.

This does not mean that the U.S. is on an inevitable collision course with Beijing. It does mean that they must recognize that they have different long-term goals and aspirations and that they must work to more effectively manage the differences. Failure to harmonize these goals today increases the prospects of confrontation over the long run. It also makes the "strategic partnership" that both sides continue to tout virtually impossible to achieve.

Thus, China has emerged not only as a major player in Asia and the world, but also a major challenge to U.S. policymakers who are concerned about protecting U.S. security and promoting freedom and

¹³⁷ Ibid., p. 73.

democracy around the globe. The United States has long-standing interests in Asia that will be affected profoundly by the direction China takes in its own development and by the actions China takes in Asia and beyond. Traditional U.S. interests in Asia include maintaining freedom of navigation, deterring aggression, and securing access to markets. But to do as the framers of the U.S. Constitution instructed--to "secure the Blessings of Liberty to ourselves and our Posterity"--policymakers should seek new ways to protect and promote freedom and democracy in the region.

One of the most important constitutional roles for Congress is to scrutinize the actions (or inaction) of the Administration in managing U.S. relations with China. Policymakers do not require a perfect knowledge of China's past or a crystal ball to see China's future in order to develop clear, commonsense steps for protecting and advancing U.S. interests. The Statement of Principles on China Policy endorsed in 1997 by a coalition of concerned Americans of various political persuasions is a useful guide to how the President and Congress should approach China policy. Debates about whether China will become a hostile adversary or transform itself inevitably into a peaceful democracy should be avoided. Washington should be prepared for the worst but work for the best.

Thus, relations with China, considering its vast size, economic dynamism, and military potential, are of critical importance to the United States. Yet China's own actions have raised serious political concerns among the American public, calling into question the very nature of China's relations with the United States. Thus, it is important to explain clearly U.S. concerns and priority interests in

relations with China and to present China's leadership with a roadmap to achieving an improved relationship between the United States and China.

CONCLUSION

For Washington to establish a framework of relations with China to protect and enhance American interests in that country is a '*herculean task*'. For China's leaders, to conduct relations with the United States is to confront a paradox. Development imperatives dictate broad and close interaction, while perceived longer-term strategic imperatives produce suspicion and incipient competition.¹³⁸ Beijing's present policies clearly indicate that its leaders are guided of in the main by the imperatives of development. Despite fractions over trade, intellectual property, proliferation, human rights, and even Taiwan, Beijing shows no evidence of any willingness to allow its ties with Washington to collapse or evolve towards military conflict. Nor, with the exception of U.S. support for Taiwan independence, is it likely to find a reason to do so at any time during the next decade or so.

In broad strategic term, the twentieth century was a tragic example of the inability of the international system to peacefully manage the rise and decline of major power. To avoid such tragedy in the twenty-first century requires the integration of China, Japan and Germany into the international system as positive state actors. Attempts to forcefully contain or frustrate the rising powers or to exploit the declining power - Russia - will inevitably lead to a repeat of the tragic consequences of our previous century. The United States as the superpower within the current international system bears a major responsibility for leadership in a successful transition from the Cold War bipolar system to a stable and peaceful global order for the

¹³⁸ Harvey Nelson, "China Syndrome", *South China Morning Post*, 24 June 1998.

twenty-first century that will include as major powers the United States, China, Japan, Russia, and Germany.

History has forced on the world lesson after lesson that there is no such thing as a permanent peace. We live today in a period of undetermined length before the next big war. Our challenge is to postpone that war far as long as we can. Clearly, the great wars have been caused by the rise of new powers whose ascendancy is seen as a challenge by the powers of the existing international system. This has been so since at least the conflict between Athens and Sparta and will be so in the future.

If you look at the globe, who are the powers with a chance to rise to greatness. Russia, though brought low for now, is a latent great power. Germany and Japan surely command greater attention, although as established democracies they pose less of a challenge to the existing order. India will have its day. But the clearest candidate for rising power is China.

The United States, as the world's preeminent power today, has a special responsibility to project its interests by maintaining the stability of the international system. This gives the U.S. a special right to speak on China's role in the world, in the same way that China's rise to greatness gives Beijing a right to be heard in the various fora of the international system.

Nothing will prevent China from achieving its destiny. It has liberated tremendous forces of economic, social, and eventually political change as it let slip much of the socialist baggage of the past.¹³⁹

¹³⁹ Robert G. Sutter, "China After Deng Xiaoping -- Implications for the United States," Congressional Research Service, 7 April 1995, p.12

Therefore, the issue for the U.S. is how to make China's rise confirm with the international community's interest in good, mutual beneficial relations. It is not whether to stop or hinder China's unity and strength

History is not a source of great encouragement as we face the task of reviewing and reshaping China's relations with the U.S. and the world. Germany rose in the nineteenth century under the Berlin stewardship of Bismark, but after his dismissal in 1879, Berlin lost its way and threatened its neighbours, leading to three devastating wars in the heart of Europe. The rise of modern Japan, too, teaches that we can get it wrong. It was not destined that Japan and the U.S. go to war, but they did as the Great Depression and Japan's isolation led to actions and reactions that were increasingly counterproductive.¹⁴⁰

Yet, we can take some encouragement in the case of China. Ever since the Nixon diplomatic breakthrough in 1972, China has become an increasingly valuable and valued member of the international community.

Although Beijing officially shares few of the values U.S. holds dear, they nonetheless have cooperated on many important issues through the first two decades of their new relationship. There is thus good reason to believe that, with a carefully planned and executed strategy, attuned to changing times, they can surmount the temporary hurdles that have emerged in US-China relations and establish a basis for good relations founded on respect for each others' interests.

¹⁴⁰ Lady Margaret Thatcher, "Courage," Heritage Foundation Leadership for American Lecture, December 10, 1997, at <http://www.heritage.org/heritage25/lectures/dec97/thatcher.html>

The Clinton Administration has attempted to engage China across a broad spectrum, but has been inconsistent and limited due to internal divisions within the Administration and Congressional pressures. It has allowed human rights activists and the Taiwan lobby on the Capitol Hill to thwart its efforts towards positive engagement with China.

While it remains important for the United States to meet its legitimate commitment of providing defensive capabilities to Taiwan and of opposing reunification of China by military means, all U.S. administrators, including Bill Clinton, regardless of party, have recognized since the 1970s that the strategic value of China with over one billion people far outweighs that of Taiwan and its roughly 20 million people.¹⁴¹ A reversal of the progress of the past 20 years, and the unintended consequences of inconsistent policies which may encourage independence forces on Taiwan and lead to increased tensions or conflict in the Taiwan Straits while destroying U.S. relation with China, would be an ultimate folly in foreign policy.

Clinton's policy of engagement, as stated, seeks to move forward with full strategic, political, economic, and security engagement with China. Stability in Asia is important to China today as it moves through a generational leadership transition and concentrates domestically on economic and social reforms. In American perspective positive engagement does not mean that the United States should not continue to press hard in negotiations on issues of trade, arms proliferation, and human rights. It does mean, however, that the

¹⁴¹ Gary Klinworth, "New Taiwan, New China," (New York, St. Martins, 1995), p.78

U.S. administration should deal with China as a potential partner and avoid high levels of public rhetoric which are ineffective and primarily designed for domestic political audiences.

Alternative courses, from unilateral sanctions to containment or confrontation, are neither wise nor feasible. China looms even larger on the international scene as an economic engine, a political force, a military power, and an environmental bombshell. It appears that the Clinton Administration aims at concentrating on shaping these potentially destabilizing developments in ways favourable to US national security interests. Indeed, engagement has already opened China to enormous changes of great benefit to the United States: nascent democratization, embrace of the market, and steady acceptance of international norms. One need only recall Maoist China little more than two decades ago - fanatical, revolutionary, autarkic, appallingly repressive - to understand how much closer China has come to practices consistent with U.S. interests.

Engaging China comprehensively now can help shape a future international system consistent with U.S. interests in peace, stability and economic prosperity. Conversely, inconsistent and confrontational U.S. policy works against U.S. strategic, political, economic and security interests.

In the end as every president since Nixon has discovered, U.S.-China relations require sustained care and feeding, not only to build the bilateral relationship but to encourage public support.¹⁴² Consensus-building demands greater consultation between Congress and the

¹⁴² David M. Lompton, "The Coming Conflict With China," *International Herald Tribune*, 12 December 1998.

administration on China policy. More often than not the executive and the legislative branches of the US government get involved in a ding-dong battle over the country's China policy. Such a battle is regarded by US foreign policy analysts as antiethical to US national security interests. They point out that the two sides can strengthen mutual confidence through improved communication on key issues such as managing the military-to-military relationship, assuring the security of scientific exchanges involving the nuclear laboratories, and strengthening U.S. capacity to control sensitive technology exports to China. The administration and Congress, according to them, need to coordinate policy better and be clear with one another about realistic expectations, as consolidating domestic support for a more stable U.S.-China relationship is difficult in a partisan political atmosphere. Much of what passes for China policy in Washington is either "over-the-top attack" or "timid damage control." Short-term, politically motivated, and divisive opinions on China weaken Washington's ability to deal effectively with Beijing.

So much for the US rhetoric! Several foreign policy analysts in China raise doubts over the intention behind the policy of comprehensive engagement. Arms supply to Taiwan, indefinite extension of US-Japan military alliance, the proposed Theatre missile defense programme in the region, among other things, have led the Chinese to believe that the US policy is actually a containment strategy, notwithstanding the pronounced policy of comprehensive engagement.

According to Bates Gill: "When U.S. interests are strongly and consistently conveyed and U.S. policy openly acknowledges not just America's shared concerns with China but also its strategic

differences, confidence in engagement will increase and more domestic constituencies will get behind it. Moreover, Chinese leaders will better understand the U.S. perspective on both the opportunities and limits of engagement, making the chances of bitter disillusionment less likely. This approach should not overexaggerate China's power--an all-too-common tendency that is not only divisive at home but grants to China psychological leverage it can exploit in diplomatic discourse."¹⁴³

¹⁴³ See: Bates Gill, "Limited Engagement," *Foreign Affairs*, vol. 78, no. 4, July-August 1999, p. 70-71.

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