

**POLITICAL ECONOMY OF U.S.-CHINA RELATIONS,
1993-2000**

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in partial fulfillment of the requirements for the
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MASTER OF PHILOSOPHY

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Date: 27th July 2010

DECLARATION

I declare that the dissertation entitled “POLITICAL ECONOMY OF U.S.-CHINA RELATIONS, 1993-2000” submitted by me for the award of the degree of Master of Philosophy of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.


SAROJA MEHER

CERTIFICATE

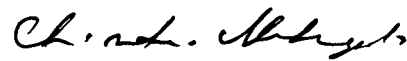
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To

My

BAPA AND MAA

WHO ARE ONLY SOLACE IN MY
EMBARRASSING MOMENTS

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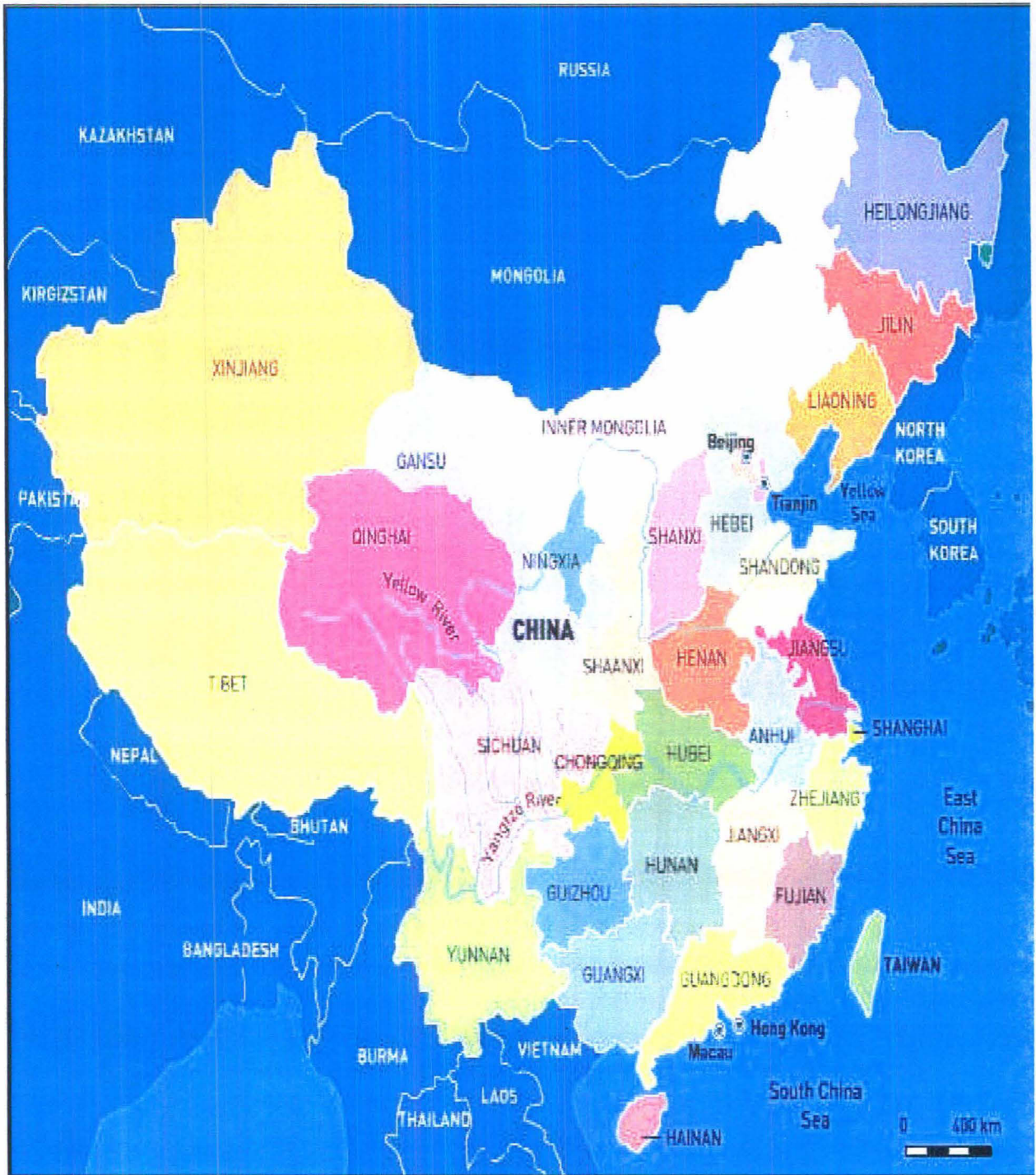
AI- Amnesty International
AIDS- Acquired Immune Deficiency Syndrome
APEC-Asia Pacific Economic Cooperation
ARF-Association of Southeast Asian Nations Regional Forum
ASEAN- Association of Southeast Asian Nations
AT&T- American Telephone and Telegraph
CBS- Columbia Broadcasting System
CCL- Chinese Copyright Law
CCNAA- Co-ordination Council for North American Affairs
CCP- Communist Party of China
CDs- Compact Disk
CDS- Credit Default Swap
CIA- Central Intelligence Agency
CIF- Cost, Insurance and Freight
CITA- Committee for the Implementation of Textile Agreements
FLG- Falun Gong
FOB- Free on Board
GATT- General Agreement on Tariffs and Trade
GDP- Gross Domestic Product
IGOs- Intergovernmental Organisations
IIPA- International Intellectual Property Alliance
IMF- International Monetary Fund
IPR- Intellectual Property Rights
KMT- Kuomintang
MFA-Multi-Fibre Agreement
MOFERT- The Chinese Ministry of Foreign Economic Relations and Trade
MOFTEC- Minister of Foreign Trade and Economic Cooperation
MOU- Memorandum of Understanding

NATO- North Atlantic Treaty Organisation
NCNA- New China News Agency
NGOs- Non Governmental Organizations
NPC- The National People's Congress
NPT- Nuclear Non-Proliferation Treaty
NSG- Nuclear Supplier Group
NTDTV- New Tang Dynasty Television
NTR- Normal Trade Relations
OPIC-Overseas Private Insurance Corporation
PCs- Personal Computers
PLAAF- People's Liberation Army Air Force
PNTR- Permanent Normal Trade Relations
PRC- People's Republic of China
RTL- Re-education Through Labour
SOC- Statement of Cooperation
TAR- Tibet Autonomous Region
TDA- The U.S. Trade and Development Agency
TECRO- Taipei Economic and Cultural Representative Office
TMD- Theatre Missile Defences
TRA- Taiwan Relations Act
TRIPS- Trade-Related Aspects of Intellectual Property Rights
UN- United Nations
UNHRC- The U.N. Human Rights Commission
UNSC- United Nations Security Council
US- United States
USIA- The U.S. Information Agency
USSR- The Union of Soviet Socialist Republics
USTR- United States Trade Representative
VOA- Voice of America
WTO- World Trade Organisation

Map :I: Political Map of The United States of America



Source: www.hoeckmann.de/.../usa/index-en.htm



POLITICAL MAP: PEOPLE'S REPUBLIC OF CHINA

Source: www.paulnoll.com/.../China-Province-choices.html

Photo: I: *On June 27, 1998, Chinese President Jiang Zemin and U.S. President Bill Clinton met the press after their formal talks, in which they expressed their view of seeking commonness while shelving the differences in bilateral development and cooperation.*



Source: www.china-embassy.org/eng/zmgx/t532313.htm

Photo: I: *US President Bill Clinton listens to Tibet's exiled spiritual lead, the Dalai Lama during a meeting November 10, 1998 at the White House in Washington, DC.*



Source: www.life.com/image/1146108

PREFACE

Political Economy explores the relationship between individuals and society and between markets and the state, using methods drawn from economics, political science and sociology. It is concerned with how countries are managed, taking into account both political and economic factors. The field of political economy today encompasses several areas of study, including the politics of economic relations, domestic political and economic issues, the comparative study of political and economic system and international political economy. The emergence of international political economy, first within international relations and later as a distinct field of inquiry, marked the return of political economy to its roots as a holistic study of individuals, states, market and society.

In actual government decision making, there is often a tussle between economic and political objectives. The relationship between the United States and China has been replete with difficulties for both countries due to complicated interaction of political and economic factors. China consistently has stressed integration into the world economy an effort best illustrated by its successful campaign to join the World Trade Organisation (WTO)—but has resisted domestic political liberalization. The United States often has supported China's economic reforms because they promised to enhance bilateral trade, but the U.S. government has been criticised by other countries and by some Americans for "rewarding" China with Most-Favoured-Nation trading status despite that country's poor record of upholding the basic Human Rights of its citizens. Likewise, Chinese government has faced domestic criticism not only from supporters of democracy but also from the members of conservative Chinese Communist Party who oppose further economic reforms. This example reflects the complex calculus involved as governments attempt to balance both their political and economic interests.

It is important to study the political economy of U.S.-China relations during 1993-2000. This period marked slow emergence of a new world order, particularly with the dissolution of Soviet Union and the end of Cold War, which also changed the significance of US-China relations.

During the Cold War period many political issues dominated US-China relations. After the establishment of diplomatic relations between two countries in 1979, the question of Taiwan's status arose, which is not finalised till date. Following the suppression of pro-democracy demonstrators by the Chinese Government in June 1989, the U.S. and other governments enacted a number of measures to express their condemnation of the PRC's violation of Human Rights. The U.S. suspended high-level official exchanges with the PRC and banned weapons exports to the PRC. The U.S. also imposed economic sanctions. Tiananmen incident disrupted the U.S.-PRC trade relationship, and U.S. investors' interest in mainland China dropped dramatically. The U.S. government also responded to the political repression by suspending certain trade and investment programs on June 5 and 20, 1989.

In the post-Cold War period the rising importance of economic relation was clearly seen in the US foreign policy. Economic growth and open trade became principal goals and sanctions became effective instruments of US foreign policy. Likewise, regional and multilateral trade initiatives, formation of the WTO as a successor to the General Agreement on Tariffs and Trade and other economic issues assumed greater prominence for the US policy makers. The US realized the economic importance of China. President Clinton tied the annual review of Most Favoured Nation trading status to China's record on human rights. When this status came up for renewal in 1994, Clinton reversed this position and granted China MFN without requiring any changes regarding human rights. As a result, U.S.-China commercial ties expanded substantially. Total U.S.-China trade rose from \$17.8 billion in 1989 to \$ 116.4 billion in 2000 – the last year of the Clinton Administration.

It was expected that China would change some of its basic policy for improving its ties with the US. But the changes were not so significant. Human Rights violation continued. In other issues like child labour, prison labourer, intellectual property rights and so on there was little improvement. But during the Clinton Administration US-China economic relations reached new heights though political friction was quite high. It was economic interests which shaped the political relations between the two countries.

There were various contentious political issues between two countries. China considered Taiwan as a renegade province. The US had severed its diplomatic relations with Taiwan after détente with the PRC and accepted the theory of One China. However, the US had insisted that reunification of Taiwan with mainland China must come about only by peaceful means. But China increasingly perceived the US as going back on its commitment to One China policy and promoting the "one country two governments" theory. China at the same time, found Taiwan's investment in the mainland too attractive to completely ignore it. The US considered Taiwan as an ally and protected it whenever there were threats to it from China.

Tibetan autonomy and civil rights constituted another contentious bilateral issue. The Clinton Administration accepted the Chinese sovereignty while raising question on human rights violation in Tibet. He did not want to complicate relation with China because of Tibet. Over the years whenever the Dalai Lama visited White House, President Clinton refused to meet him officially. The US Administration subsequently refrained from any comments concerning the human rights situation in Tibet, while it was attempting to develop a closer and more complex relationship with China. There were also violations of human rights all over the PRC.

Tibet, Taiwan and human rights were critical issues facing the Chinese Government. But the US, which championing the cause of democracy and Human Rights in principle, did not allow these issues to negatively impact upon its economic ties with the PRC

Review of Literature

The study has squeezed the following available literature. Their significance to the study has been established by arranging them in accordance with the theme of the study under some suitable headings.

Political Economy and Bilateral Relations

Political economy explores the relationship between individuals and society as well as between markets and the state. In actual government decision making there was often a

tension between economic and political objectives. In the post cold war era economic issues had been important factors for determining political relations between two countries. According to Robert Gilpin the field of international political economy continues to command the attention of students, researchers, and policymakers. The world economy and political system have changed dramatically in the post cold war period. New economic and political forces and new regionalisms have emerged. These forces have transformed the world (Gilpin, 2001).

Political Economy of US-China Relations:

Issues of Taiwan and Tibet

The role and status of Taiwan in the US foreign policy strategy had never been a constant and consistent factor. Author had argued that it had periodically changed in accordance with the ups and downs of the US policy towards China (Mahapatra, 2009). According to the author after the F-16 fighter Planes sells by the Senior Bush Administration to Taipei, Taiwan President Lee's visit to his alma mater in America was a great cause of concern for China (Copper, 2006). In his speech he emphasized the international status of Taiwan, triggering a wave of rhetorical attacks from Beijing, followed by missile exercises in north and south of Taiwan (Whiting, 2001). China's motivation was to warn Washington against further support for Lee and to deter Lee from continuing his perceived moves towards Taiwan independence. To protect Taiwan according to the promise of Taiwan Relation Act 1979, the US also sent two fighter planes near to the sea shore of Taiwan. But during his China visit in June 1998, President Clinton appeased China on Taiwan (Copper, 2006). This signifies that the US was tilted towards China. During 1993-2000 Taiwan had conducted two democratic elections. Success of each election was straining US-China relations.

While the US-China Taiwan relationship could go in a number of different directions, it was likely that there would be no significant improvement in ties for a considerable period and that, in fact, further crisis and confrontations would occur over an ever-expanding range of differences (Robinson, 1996). Economically, relations with both China and Taiwan were important for the US. The US depended on Taiwan to invest its

capital and create jobs for its own people. On the other hand China was the largest populated country. She could import various commodities from China at a cheaper price. When he took office, Clinton decided to respond to Congressional demands to link MFN status with an improvement of the human rights situation in the PRC as well as to enhance the relationship with Taiwan (Goldstein and Schriver, 2001). But President granted the MFN status to China linking it to next year passage after the Congress assessment.

Taiwan was another issue that hindered Sino-U.S. relations. Americans had slightly warmer feelings toward Taiwan than toward China. Americans tend to see the China as a threat, unlike Taiwan to the U.S. interests. Many more Americans saw Taiwan as a closer ally or friend than China and wanted that the United States should use military forces to help defend Taiwan from a Chinese attack (Tien and Nathan, 2001).

In the 1990s, particularly, after China ceased to be important for the US in balancing the Soviet power, the US had given considerable attention to Tibet and the Dalai Lama (Kamath, 1998). According to Kamath Chinese leaders naturally resented the American interests in the Tibetan affairs, which they considered as interference in their internal affairs. The Clinton administration's position on Tibet mirrored that of its predecessors in that it accepted Chinese sovereignty while raising concerns over reports of human rights abuses there. The White House did not want to see the Tibet issue bring about a further deterioration in the Sino-U.S. relationship (Xu, 1997). But on the other hand, China's rule over Tibet had grown increasingly repressive ever since President Clinton de-linked trade and human rights from China's Most Favoured Nation trading status in May 1994 (Xie, 2008).

Human Rights

From time to time U.S. was using human rights issue to check China, but China was not far behind. China was also issuing white papers on human right violation by US and vice versa. US-China relations got worse after 1989. The Tiananmen Square Massacre did irreparable damage to U.S.-China Relations (Copper, 2006). In this incident, PLA killed hundreds, perhaps thousands of pro-democracy demonstrators. The slaughter captured

global attention and was condemned by countries around the world. But China countered that other countries had no right to interfere in China's internal affairs. In June 1998, Bill Clinton became the first U.S. president to visit China since the Tiananmen Square massacre. During his visit, he debated human rights issues with President Jiang Zemin on Chinese television. He also agreed with President Jiang that both countries would promote and protect human rights in their countries. However, in October 1998, China closed its first-ever human rights conference by declaring that it would not embrace Western definitions of civil liberties. The country's leaders argued that the rights to economic survival and development must come first.

There was wide range of human rights problems in China. Suspects could be placed in "re-education camps" for up to four years without trial. Reports of torture while in official custody were common. Practitioners of Falun Gong faced mass arrests, beatings, and even killings. The Chinese government considered Falun Gong an "evil cult." Internet censorship was the rule. There were as many as 30,000 Internet police. They blocked any Internet contents that they thought were sensitive or inappropriate. AIDS outreach workers complained of harassment and arrest when they spoke too openly about the epidemic. However, even as China attempted to restrict the emergence of a stronger civil society, protests against corruption, environmental degradation, and poverty were growing in number and size.

Major Trade Issues:

One of the most powerful attractions of China for Americans was China's large market. China has 1.2 billion potential consumers. They were hard to ignore no matter how hard one tried. China was already America's fourth largest trading partner and sixth largest export market (including Hong Kong). American exports to China between 1990 and 1998 grew at an annual rate of 15 percent (Morrison, 2000). Most of American businesspersons hoped for increased exports to China as China continued to develop and entered the WTO (Tien and Nathan, 2001).

The integration of China into the global market economy was immensely important because of China's sheer scale. It was not simply the largest potential market but already

the tenth largest trading nation and the world's seventh largest exporter after the US, Germany, Japan, France, Britain, Italy, Canada, and the Netherlands. China's gross national product was the seventh largest in the world and was still growing with incredible pace of 7 to 8% annually (Nakatsuji, 2001).

According to P.M. Kamath major issues faced by the Clinton Administration in the first two years since its inauguration in January 1993, was renewal of the MFN treatment. Though US trade with China constituted only 2 percent of its total foreign trade, it was important as it involved at least preserving 18,000 American jobs. China also had greater interest in renewing MFN status as its trade with the US constituted 25 percent of its total foreign trade. There were also US business lobby groups working to see that MFN status was renewed without much hassle (Kamath, 1998).

During the Democratic Convention in 1992 Presidential Candidate Bill Clinton promised to renew China trade only with linkage to progress on Human Rights. In 1994, he broke that campaign promise and gave the phrase "Clintonian duplicity." He took Clintonian duplicity to the next level when, in 1999, he signed a Permanent Normal Trade Relation deal for "permanent" free trade with a politically unreformed China that was still led by the Chinese Communist Party. As President, Clinton softened his policy in recognition of increasing US economic involvement in China (Kan, 1993).

WTO Membership

On December 11, 2001, China became a member of the WTO. Many said the 1999 US-China bilateral trade agreement and the vote in Congress to permanently establish normal trade relations with China paved the way for China's WTO accession. To support China's WTO accession, the United States had to commit itself to non-discriminatory treatment by agreeing to make China's MFN status permanent, by granting PNTR and thereby giving up the right to annual reviews. (Devereaux, et al 2006).

China's entry into the WTO would seem to normalize relations with the US. However, China's compliance with the WTO's rules and regulations were questionable (Magnusson and Gleckman, 2000). In the 1990s U.S. exports to China were only 2% of Chinese imports. These authors maintained that Chinese entry into the WTO was not likely to

change that figure in the near future. In a totalitarian nation such as China domestic products to be used in manufacturing were preferred over imports. Therefore many foreign companies were not get advantage, found themselves having to offer contracts containing provisions requiring them to use Chinese products in their manufacturing. This might caused foreign companies to pay more for materials than they might have desired had they been able to get manufacturing materials elsewhere. Lastly, although the U.S. and the other 135 members of the WTO were able to take China before the WTO dispute settlement panels, it could take years to settle such disputes and governments often not chosen to follow the rules.

The author stresses the fact that the continued expansion of US exports to China depended on the continued growth of Chinese economy. The real significance of the WTO accession lied not in the short-term benefits that might accrue to corporations in specific sectors but in the restructuring of China's economy as a whole over the decades to come. The author then has given his own estimate and a demonstration of a close relationship between the rates of China's economic development and growth rates of the foreign trade (Frazier, 1999).

The only way to avoid conflict within the WTO was to persuade the Chinese to accept, as conditions of WTO membership, at least minimal provisions for administrative and legal due process, as well as the creation of specialized courts capable of dealing with complex issues of commercial and trade law. For all the difficulties and dangers that full membership for China entailed for the multilateral trading system, China had to be accommodated and integrated if the WTO aspired to retain its status as a global economic and legal force. Authors have argued that accession to the WTO would help China along the difficult path of reforming its economy into one governed increasingly by market forces and the rule of law (Groombridge and Barfield, 1999).

China's economy and international trade were so large that the expansion of economic output and trade resulting from its membership was likely to perceptibly affect the growth of global trade and thus the pace of expansion of global output. Authors have argued that China's entry into WTO would open up the Chinese closed market though the

bilateral trade turnover grew from \$1 billion in 1978 to \$116 billion in 2000 between US-China (Lardy, 2002).

Intellectual Property Rights

American firms had been consistently complaining about global infringement of intellectual property rights. Most affected industries were computer software, high technology products, sound recordings, motion pictures, pharmaceuticals, agricultural chemicals and books. A study by the U.S. Chamber of Commerce estimated that IPR violations cost the U.S. firms between \$200 billion and \$250 billion a year globally, with a significant portion of that attributed to Chinese piracy. In order to protect IPR, China had established a nationwide IPR enforcement structure consisting of enforcing agencies and the police. Moreover, it had decided to establish joint ventures and, in some instances, wholly owned ventures (Sinha, 2003)

The US not only had reservations on supporting China's admission to the WTO on the ground of poor track record on protecting IPR, but it also demanded greater "transparency" in trade practices in China. In reality, the Clinton Administration was using it as a lever to obtain greater economic and political concessions from China (Kamath, 1998).

Definition, Rational and Scope of the Study

The research has dealt with the political economy of US- China relations during President Bill Clinton Administration. During the Cold War period the US objective was to use China to contain the Soviet Union. However, after the Cold War, significance of China for the US changed. Both the countries began to expand their bilateral relations, especially in the areas of trade and investment, despite many unresolved bilateral political issues. This study has dealt with the politics behind US-China economic relations and the economic consideration behind dealing with contentious political issues. The study has examined how political differences were sidelined by both countries to strengthen economic relations.

The study has a well-defined scope. Beginning with the US-China contentious issues the research has explored how these issues were sidelined in the Clinton era. The study has examined whether this resulted in better or worse bilateral relations. It has analysed contentious issues like Taiwan, Tiananmen Square massacre, human rights, china's entry pass to WTO, IPR issues, as well as impact of all these factors on bilateral trade.

Research Objectives

The study has attempted ...

- To understand the significance of political economy in determining the bilateral relations of two countries.
- To analyze US interest in China during and after the cold war.
- To explore the political economy of US-China relations during Clinton period.
- To examine the impact of economic interest in addressing various contentious issues between the US and China.

Research Questions

The research has attempted to find out answers of the following research questions.

- Did the end of Cold War change the importance of China for the US?
- What are the political economy factors in the US foreign policy decision making?
- Why is the Clinton period so important in the US-China relations?
- Has economic interests influenced Clinton's foreign policy with China?
- Have the US and China sidelined normative issues to promote economic interest?

Hypotheses of the Study

This research has scientifically tested the following hypotheses.

- US economic interest dictated Clinton's political move towards China.
- Both the US and the PRC sidelined normative issues to benefit from trade and investment relations.

Methodology of the Research

The research is descriptive, exploratory and explanatory in nature. The researcher has applied historical and analytical methods. The study has used both primary and secondary sources of data by using deductive method. The primary data has based on Congressional and Executive reports and documents of the US Government as well as various documents released by the Peoples Republic of China. The secondary source of data has included books, journal articles, and newspaper clippings. The study has also included various information and data collected through internet sources.

Chapter Plan

The research is a composition of five separate but interrelated chapters. The research begins with the preface of the study and ends with the conclusion of the study. The First chapter is dealing with the evolutions of the US policy towards China after the Second World War. The chapter is basically dealing with the retrospective observation of US-China relations. Cold War driven US foreign policy, China's geo-strategic importance to contain the USSR and US policy after Tiananmen massacre are some issues that have been focused in this chapter.

The second chapter of this research is exclusively highlighting US-China economic relations during the Clinton Administration. As the Clinton Administration was the first regime to be in power after the end of the Cold War, its approach to redefine US- China relations is the central theme of this chapter. The Administration's efforts to render MFN

and PNTR status and WTO membership to China have been analysed in this chapter. US-China bilateral trade and trade related constraints are also focused in this chapter.

Some of the major contentious political issues like Taiwan, Tibet and Human Rights are discussed in the third chapter. These issues are long standing and rigid in nature and have their implications on US-China relations. As the Clinton Administration's priority was economic interest, its approach towards these issues has been heavily guided by US-China economic relations. In this context the chapter has analysed the Clinton Administration's steps to resolve these issues.

Decision making process of the US President in general and President Clinton in particular is the central theme of the fourth chapter. The US President has always been guided by a number of issues, institutions and personality in the decision making process so also the President Clinton. Thus, the chapter has attempted to find out the influencing factors on the Clinton Administration while making decisions on major issues like trade, Taiwan, Tibet and Human Rights.

The research ends with the conclusion chapter where hypotheses and research questions have been tested and analysed. Based on the findings of the above chapters some inferences have been drawn in this chapter.

Evolution of US Policy towards the China since World War II

During the Cold War period political considerations prevailed over economic relations. America's intention was to contain the USSR by using China, which continued even after Sino-US détente.

1.1: Introduction

President Richard M. Nixon reached out to the People's Republic of China thirty-eight years ago to advance U.S. strategic interests by balancing the Soviet Union and reinforcing the split between two former communist allies. Nixon and his national security adviser, Henry Kissinger, briefed the Chinese on Soviet forces arrayed against China and also discussed the Vietnam War and Taiwan. Nixon and Kissinger sought to change the global U.S. stance from confrontation to detente and to extricate the United States from the Vietnam War. Their mission shifted the globe's geopolitical landscape.

For nearly two decades, U.S. policy towards China (and Taiwan) remained rooted in the strategic interests that led Nixon to Beijing during the Cold War. This policy was commonly known as the 'policy of engagement'. Through engagement, China's relationship with the United States had transformed from constant hostility to dialogue and cooperation. The normalization of U.S.-China relations during the Carter Administration, helped in creating an international environment conducive to launch China's economic reforms under the leadership of Deng Xiaoping. This engagement also helped to integrate China into a practical alphabet soup of multilateral organizations, including the World Trade Organization (WTO), the Association of Southeast Asian Nations Regional Forum (ARF), and the Asia Pacific Economic Cooperation (APEC) forum, to name but a few. China has become a player on the world stage.¹

The U.S.-China rapprochement was founded in a fundamental realignment of U.S. foreign policy embodied in the *Shanghai Communiqué of 1972*. The U.S. began to

¹ Alex Liebman (2007), *China's Asia Policy*, in Michael D. Swaine et al, *Assessing The Threat: The Chinese Military and Taiwan's Security*, Washington D.C: Carnegie Endowment For International Peace, pp25-49.

transfer official recognition from the Kuomintang (KMT) government in Taiwan to the Communist government in Beijing, culminating in the restoration of full diplomatic relations in 1979, just as Deng was beginning his momentous reforms. The U.S. withdrew its military forces and bases from Taiwan and terminated its defence treaty with the island nation. Yet the *Taiwan Relations Act of 1979* mandated the US to continue its relations with Taiwan virtually as if it were an independent country, while officially the U.S. did not dispute Beijing's claim that Taiwan was merely a province of China. In 1982, the Reagan Administration agreed to limit arms sales to Taiwan. China, in return, promised to resolve differences with Taiwan peacefully.

The history of Sino-American relations in the past fifty years has been a tale of how Americans, preoccupied with the affairs of Europe, thought they could use China, subordinating its needs and interests to the realisations of their objectives elsewhere. As a regional power and having a developing economy China failed to necessitate direct attention of the US till 1960s.

Americans determined to elicit political and social reforms commensurate with their investments, both financial and emotional felt frustrated by Chinese rejection of Western values. Both before and after the communist takeover in 1949, China sought to modernise without being Westernise. A source of tension throughout the Third World, the clash between change and tradition had been nowhere more powerful than in China and nowhere more troublesome than in Sino-American relations.

Possibly the most striking illustration of China's peripheral status and the thwarting of both Chinese and American expectations could be found in their respective responses to the Japanese bombing of Pearl Harbour on December 7, 1941.

The Kuomintang government officials went around congratulating each other, as if a great victory had been won. The divergence between America's distress and China's joy underscored the differences between American and Chinese national interests. Washington, although, now China's ally and a more forthright participant in the anti-Japanese struggle, they put the war in Europe and the defeat of Hitler first. Roosevelt wanted to use the Chinese to bleed Japan, to thwart Tokyo's attempt to create a new

world order in Asia and seize European colonial holdings. To these ends the US tried to reorganise Chiang's war effort by diverting him from China's civil conflict and training his troops.

Chiang Kai-shek, in contrast, had assumed that the US would take over the fight against Japan, freeing him to concentrate on eliminating the internal communist threat. The Nationalist leader saw no reason to send his soldiers to die opposing Tokyo when Americans could defeat Japan without them. He was of no use for the American commander and adviser in China, General Joseph Stilwell, whose efforts to replace loyal but inept Chinese officers threatened to destabilise his regime. Chiang expected Washington simply to send money, tend to the larger war and leave him deal with China's domestic politics.²

The clash in principle escalated when Americans sought contacts with Mao Zedong's forces at Yan'an. Negotiations with the Chinese Communist Party were vital to the rescue of downed US pilots and the staging of an American assault on Japan's home islands from the Chinese coast. They would also allow the American military access to the only allies operating freely behind Japanese lines in north China. But the Nationalists adamantly rejected the idea of consorting with their enemy, relenting only under extreme pressure. And the Nationalists arguably had been right in their resistance, given the enthusiasm with which Americans responded to the communist Chinese. The Americans praised Mao's government and army, whose energy, integrity, efficiency and idealism forcefully highlighted the corruptions, disarray and torpor of the Nationalists. Mao Zedong and Zhou Enlai welcomed the first American observer mission by celebrating on July 4, 1944 and offering to travel to Washington to meet Roosevelt to coordinate war strategies.³

Nevertheless the US remained, if reluctantly, tied to the KMT government, disappointing the communists and encouraging the Nationalist Party to maintain an unrealistic assessment of its importance to Washington. In actuality Chiang's refusal to mount an

² Nancy Bernkopf Tucker (1991), "China and America: 1941-1991", *Foreign Affairs*, 70 (5), Winter, pp. 75-92

³ Ibid

energetic effort against Japan gradually eroded US support and ensured substitution of an island-hopping strategy for winning the Pacific war. But, although he desired of making Chiang an active wartime asset, Roosevelt continued to imagine that China after the peace could become a great power and useful American partner. Thus he insisted, over the protests of British Prime Minister Winston Churchill, that the Chinese be given a seat in the Security Council of the soon to be created United Nations.

America's policy immediately following Japan's surrender consisted of creating a strong and prosperous China by avoiding renewal of civil conflict and focusing government attention on political reform and economic rehabilitation. If Harry S. Truman felt constrained to support anticommunist forces under Chiang Kai-shek, he nevertheless did not yet see the Cold War as the critical variable in Asia and could contemplate establishing a Nationalist-Communist coalition. But Chiang, confident of US patronage, refused to compromise, opting for military victory. He disregarded American advice and tried to project his forces into Manchuria beyond the capacity of his supply system. His forces squandered popular support by preying upon the newly liberated cities of east China, treating the citizenry as collaborators for having lived under Japanese rule. His interference in battlefield command threw planning into disarray, and when the People's Liberation Army trapped frontline troops Chiang bombed his own units to prevent their equipment from falling into enemy hands.

For the US, however, there could be no simple transition from Nationalist to Communist regime in China. Republican desperation to recapture the presidency in the late 1940s triggered a red scare, blighting domestic affairs and undermining American foreign policy. Borrowing charges from the China lobby, the Grand Old Party insisted that communist sympathisers in the State Department had lost China. But it remained for the Korean War and Senator Joseph McCarthy to turn China's loss into political dynamite. In need of an election issue, McCarthy waged a vitriolic attack upon the Truman Administration, sweeping otherwise responsible Republicans up in the frenzy.

1.2: Pre-Normalisation Relations

North Korea's attempt to unify the Korean peninsula had a profound impact upon the course of the Cold War and Sino-American relations. For Sino-US relations the Korean War proved as an unmitigated disaster. Beijing's leaders had taken Truman and Acheson at their word and anticipated an unopposed effort to oust Chiang from Taiwan. But Washington reversed itself and placed the seventh fleet in the Taiwan Strait to prevent expansion of the war either by a Chinese Communist Party attack or by a Nationalist feint that would force US intervention. Beijing's frustration was compounded by fear when US forces, under UN auspices, threatened China's Yalu River border. Thus Zhou Enlai cautioned the Americans not to move north. But they dismissed his warnings because the Chinese appeared weak and preoccupied with domestic troubles not a match in any case for American soldiers to China attack.

President Truman had hoped that a short conflict in Korea would mean a brief re-involvement in the Chinese Civil War and momentary distraction from European affairs. Although the President was quickly reassured that war in Korea was not simply a diversion to facilitate communist aggression in the West, he continued escalating military expenditures for Europe, revealing the Administration's true priorities. But the Korean War dragged on and, despite administration antipathy; the network of economic and military ties with the KMT grew more complex and self-perpetuating.

Any hope for normalization of relations ended when the U.S. and PRC's forces fought directly against each other in the Korean War starting on November 1, 1950⁴. In response to the Soviet-backed North Korean invasion of South Korea, the United Nations Security Council was convened and it passed the *UNSC Resolution 82* condemning the North Korean aggression unanimously. The resolution was adopted mainly because the Soviet Union, a veto-wielding power, had been boycotting proceedings since January, in protest that the Taiwan and not the People's Republic of China (PRC) held a permanent seat in the council. Once the American-led UN forces counter-attacked and pushed the invading North Korean Army back past the North/South border at the 38th parallel north and

⁴ Foot, Rosemary (1991), "Making Known the Unknown War: Policy Analysis of the Korean Conflict in the Last Decade," *Diplomatic History* 15 Summer: 411–31.

further into the north and began to approach the Yalu river on the Sino-Korea border, the PRC undertook a massive intervention into the conflict on the side of the communists. The Chinese struck in the west, along the Chongchon River, and completely overran several South Korean divisions and successfully landed a heavy blow to the flank of the remaining UN forces. The ensuing defeat of the U.S. Eighth Army resulted in the longest retreat of any American military unit in its history. Heavy casualties were sustained on both sides, before the UN forces were able to repel the PRC back, near the original division. At the end of March 1951, after the Chinese had moved large numbers of new forces near the Korean border, U.S. bomb loading pits at Kadena Air Base in Okinawa were made operational,⁵ and bombs were assembled there lacking only the essential nuclear cores. On April 5, the Joint Chiefs of Staff released orders for immediate retaliatory attacks using atomic weapons against Manchurian bases in the event that large numbers of new Chinese troops entered into the fights or bombing attacks originated from those bases.⁶ On the same day, President Truman gave his approval for transfer of nine Mark IV nuclear capsules to the Air Force's Ninth Bomb Group, the designated carrier of the weapons and the president signed an order to use them against Chinese and Korean targets. Two years of continued and often locally bitter fighting ended in an overall stalemate that ensued while negotiations dragged on, until a cease-fire was agreed to on the 27 July 1953. The war officially has not ended, and the Korean issue had an important role in Sino-US relations ever since. The entry of the Chinese in the Korean War caused a shift in US policy toward Chiang Kai-Shek's Nationalist government in Taiwan from marginal support to full-blown defence of Taiwan from any aggression by the PRC.

In 1954 PRC forces massed along the coast opposite Taiwan, threatening Nationalist-held islands just offshore. The US intervened to support the Nationalists to discourage the Communists from invading. This incident is known as *First Taiwan Strait Crisis*. The US continued to aid Jiang Jieshi's government while also pushing it to make various social and economic reforms in Taiwan. The U.S. Government confirmed its commitment to

⁵ Bruce Cumings (2005), "Why Did Truman Really Fire MacArthur? ... The Obscure History of Nuclear Weapons and the Korean War Provides the Answer," *History News Network*, George Mason University, URL: <http://hnn.us/articles/9245.html>

⁶ Korean War Page 5, [For more see URL: <http://www.vetshome.com/korean%20war%20page%205.htm>]

defend Taiwan by enacting Formosa Resolution in 1955.

Delegates from around the world met in Geneva to resolve the Korean War and the Indochina War between France and Vietnam in 1954. PRC delegate Premier Zhou Enlai attempted to shake hands with Secretary of State John Foster Dulles, who refused to acknowledge Zhou. In spite of Secretary of State John Foster Dulles's cold-shoulder of Zhou in the Geneva Conference 1954, the U.S. and PRC Ambassadors in Geneva began a long-standing tradition of holding occasional, highly formalized talks. The talks shifted location to Warsaw in 1958. In addition to the peace talks in Korea, these were the only direct official connections between the US and China in the 1950s and 60s.

Although Mao had guided China into the Soviet camp, the PRC and USSR had always tense relations. Their differences became more pronounced when Khrushchev denounced Stalin in his Secret Speech, and Mao responded with a condemnation of Khrushchev in 1956. This tensions became more and more noticeable, and the split seemed complete when the USSR recalled its last scientific and technical advisors from the PRC and cut off all assistance in 1961-62.

Following a decade of gradually increasing aid to South Vietnam, the U.S. Government decided to escalate its involvement in Vietnam in the wake of the Gulf of Tonkin Incident in 1964⁷. The large and growing U.S. presence in Vietnam was seen as a potential threat by the PRC, which began to send more military and technical assistance to the North Vietnamese. At the same time, Chinese engaged in mass demonstrations accusing the US of imperialist actions. Between 1965 and 1970, over 320,000 Chinese soldiers fought the Americans alongside the North Vietnamese Army (Vietcong). The peak came in 1967, when 170,000 troops served there. China lost 1,446 troops in the Vietnam War. The US lost 58,159 in combat against the Vietcong⁸, and their allied forces including the Chinese.

⁷ The Gulf of Tonkin Incident is the name given to two sea battles between the North Vietnam and the US in the waters of the Gulf of Tonkin on August 2, 1964. [For more see Source: <http://www.thenagain.info/webchron/usa/GulfTonkin.html>]

⁸ William S. Turley (2009), "The second Indo-china War: a concise political and military history", Rowman & Littlefield. pp. xiv.

The US continued to work to prevent the PRC from taking China's seat in the United Nations and encouraged its allies not to deal with the PRC. The US placed an embargo on trading with the PRC, and encouraged allies to follow it. "The PRC developed nuclear weapons in 1964 and, as later declassified documents revealed, President Johnson considered pre-emptive attacks to halt its nuclear program. Ultimately he decided, the measure was too risky and it was abandoned"⁹.

Despite this official non-recognition, beginning in 1954 and continuing until 1970, the US and the PRC held 136 meetings at the ambassadorial level, first in Geneva and later in Warsaw.

The US passed the Immigration and Naturalisation Act, 1965¹⁰ which put an end to the long-standing system of quotas based upon national origin, and opened the doors to more migrants from Asia. Chinese immigration from Taiwan and Hong Kong in particular increased dramatically in the following years.

In the wake of the stunning Tet Offensive¹¹ in Vietnam in early 1968, the anti-war movement in the United States gained strength and President Lyndon Johnson began to seriously explore possibilities for withdrawing from Vietnam. In the fall, Richard Nixon was elected President partly on the strength of his claim that he would get the US out of Vietnam.

1.3: Normalisation of U.S. - China relations

A long-standing dispute over the eastern border between the PRC and USSR broke into localized armed conflict in 1969, heightening tensions between the two. This conflict bolstered the Nixon Administration in its intention to improve relations with the PRC in order to isolate and pressure the Soviet Union. Both the PRC and the U.S. had issued

⁹ Nuclear Weapons - China Nuclear Forces, [For more see URL: <http://www.fas.org/nuke/guide/china/nuclear/index.html>

¹⁰ Roger Woods (2008), "The Immigration Act of 1965: Intended and Unintended Consequences". [For more see <http://www.america.gov/st/educ-english/2008/April/20080423214226eafas0.9637982.html>.]

¹¹ Alan Woods (2008), "The Tet Offensive: the turning point in the Vietnam War – Part One", Wednesday, 30 January. [For more see URL: <http://www.marxist.com/tet-offensive-part-one.htm>.]

feelers to try to improve relations between the two major powers. This became an especially important concern for the PRC after the Sino-Soviet Border Clashes of 1969¹². The PRC was diplomatically isolated and the leadership came to believe that improved relations with the US would be a useful counterbalance to the Soviet threat. Zhou Enlai, the PRC Premier, was at the forefront of this effort, but he had the committed backing of Mao Zedong.

The Ping-Pong Diplomacy

In 1969, the US initiated measures to relax trade restrictions and other impediments to bilateral contact, to which China responded. However, the rapprochement process was stalled by U.S. actions in Sino-India until April 6, 1971. On this day the young American Ping-Pong player, Glenn Cowan, missed his U.S. team bus and was waved by a Chinese table tennis player onto the bus of the Chinese team at the 31st World Table Tennis Championship in Nagoya, Japan. Cowan spoke with the Chinese players in a friendly fashion, and the Chinese player, Zhuang Zedong, a three-time World Men's Singles Champion, presented him with a silk-screen portrait of the famous Huangshan Mountains. While this had been a purely spontaneous gesture of friendship between two athletes, the PRC chose to treat it as an officially sanctioned outreach. Zhuang Zedong spoke about the incident in a 2007 talk at the USC U.S.-China Institute.¹³ The friendly contact between Zhuang Zedong and Glenn Cowan, as well as the photograph of the two players in *Dacankao*, had an impact on Mao's decision-making.¹⁴ He had earlier decided not to invite the U.S. team along with teams of other western countries that had been invited. Later known as Ping Pong Diplomacy, the PRC responded by inviting the American Ping-Pong team to tour mainland China. The Americans agreed and on April 10, 1971 the athletes became the first Americans to officially visit China since the communist takeover in 1949.

¹² William Burr (2001), "The Sino-Soviet Border Conflict 1969: U.S. Reactions and Diplomatic Maneuvers" A National Security Archive Electronic Briefing Book, 12 June. URL: <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB49/>.

¹³ Karen Marcus (2007), "Ping -pong melts Cold War rifts", URL: <http://China.usc.edu/ShowArticle.aspx?articleID=814&AspxautoDetectCookieSupport+1>

¹⁴ Ibid

Henry Kissinger's Secret Visit

In July 1971 Henry Kissinger, while on a trip to Pakistan,¹⁵ feigned illness and did not appear in public for a day. He was actually on a top-secret mission to Beijing to open relations with the government of the PRC. On July 15, 1971, President Richard Nixon revealed about the mission to the world and that he had been invited to visit the PRC and which he had accepted. This announcement caused immediate shock around the world. In the US, some of the most hardliner anti-communists spoke against the decision, but public opinion supported the move and Nixon saw the jump in the polls he had been hoping for. Since Nixon had sterling anti-communist credentials he was all but immune to being called soft on communism.¹⁶

Within the PRC there was also opposition from left-wing elements. This effort was allegedly led by Lin Biao, head of the military. Lin Biao, however, died in a mysterious plane crash over Mongolia while trying to defect to the Soviet Union, silencing most internal dissent over the move.¹⁷ Internationally, the reactions varied. The Soviets were immensely concerned that two major enemies seemed to have resolved their differences, and the new world alignment contributed significantly to the policy of détente. America's European allies and Canada were pleased by the initiative, especially since many of them had already recognized the PRC. In Asia, the reaction was far more mixed. Japan was extremely annoyed that it had not been told of the announcement until fifteen minutes before it had been made, and feared that the Americans were abandoning them in favour of the PRC. A short time later, Japan also recognized the PRC and would commit to substantial trade with the continental power. South Korea and South Vietnam were both concerned that peace between the US and the PRC could mean an end to support for them against their communist enemies. Throughout the period of rapprochement both these states had to be regularly assured that they would not be abandoned. In 1971, following

¹⁵ William Burr (2002), "The Beijing-Washington Back-Channel and Henry Kissinger's Secret Trip to China: September 1970-July 1971", *The National Security Archive*, <http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB66/>.

¹⁶ Sino-American relations, [For more see http://www.associatepublisher.com/e/s/si/sino-american_relations.htm].

¹⁷ Ibid

the Kissinger visit the Chinese seat in the United Nations was transferred from the Republic of China on Taiwan to the PRC.

President Nixon's Visit

On February 21, 1972 President Nixon arrived in Beijing, the first American head of state ever to set foot on the Chinese mainland. Nixon, Kissinger, and others met with Mao Zedong and Zhou Enlai, and at the end of the weeklong visit the two sides issued the *Shanghai Communiqué*. In this document the United States and China stated their positions on a number of issues, including joint opposition to the Soviet Union, the U.S. intention to withdraw its military from Taiwan, and U.S. support for a peaceful settlement of the Taiwan question by the Chinese themselves. This began the process of full normalization of relations between the US and the PRC. The US and China established Liaison Offices in Beijing and Washington, which functioned as informal diplomatic posts during the years prior to normalization. However, for several years the United States maintained its Embassy in Taiwan.

In 1974, President Nixon resigned from office in the wake of the *Watergate Scandal*.¹⁸ In China, Mao Zedong and Zhou Enlai both began to decline in health. Zhou rehabilitated Deng Xiaoping, who had been purged in 1966, to serve as his Deputy Premier and handle some aspects of relations with the US. These leadership shifts delayed the normalization process. However, in 1975, President Gerald Ford visited China¹⁹ for further discussions with Chinese leaders, including a very ill Mao Zedong, but no progress was made on normalization.

Engagement with Post-Mao China

After death of Zhou and Mao, Deng Xiaoping returned to power once again in 1975, and quickly emerged as China's paramount leader. In order to complete the process of normalization, President Carter in 1978, dispatched National Security Advisor Zbigniew Brzezinski to China to meet with Deng and other leaders. After months of negotiations, in

¹⁸ US Presidents -- Nixon, Ford, Carter URL: <http://pages4ever.com/history/presidents/p13.php>.

¹⁹ Ed Karrens (1975), *Ford Visits China: Events of 1975 in Review*, United Press International, Inc. http://www.upi.com/Audio/Year_in_Review/Events-of-1975/Ford-Visits-China/12305821478075-4/

December the two governments finally issued a joint communiqué that established full diplomatic relations. By this agreement, the US recognized the PRC as the sole legal government of China, acknowledged the Chinese position that there was but one China and Taiwan was a part of China, and stated that it would maintain cultural, commercial and other unofficial relations with the people of Taiwan. At the same time, the US ended official relations and its defence treaty with the Nationalist regime on Taiwan, and withdrew stationed forces from the island. Formal embassies were established in Beijing and Washington the following year. On January 1, 1979 the US and the PRC commenced normal diplomatic relations and soon thereafter Vice Premier Deng Xiaoping visited the US to meet with U.S. officials and tour some of the companies with which China had begun to make deals.²⁰ Later that year, the two countries signed a trade agreement that enabled Chinese products to receive temporary Most Favoured Nation (MFN) tariff status.

First steps to draw China more fully into international society through positive inducements were taken during the President Johnson era, but were seriously constrained by the continuance of the US role in Vietnam, and by China's *Cultural Revolution*²¹. Carter's vision of common interest still rested to a large degree on strategic alignment against the Soviet Union, but additionally compromised a desire to embrace China more fully still through the promotion of cultural, scientific and economic ties. In the two years after the establishment of relations in January 1979, some thirty-five treaties, agreements, and protocols were signed between the two governments.

This was not a policy that flowed only in one direction, of course. Chinese leaders themselves signalled a concrete desire to rejoin and even extend their role in the international community from 1969, engaging nimbly in the intricate minuet that led to the Nixon visit of 1972. In the 1970s, China established diplomatic relations with some 72 countries, bringing the total to 124²², and as noted earlier received increasing numbers

²⁰ Embassy of the United States Shenyang, China (1979), "30th Anniversary of U.S.-China Formalizing Diplomatic Relations: Chronology of Bilateral Relations". URL: <http://shenyang.usembassy-china.org.cn/bilateral.html>

²¹ The Cultural Revolution. URL: http://www.historylearningsite.co.uk/cultural_revolution.htm.

²² Harding, Harry (1994), 'China's Cooperative behaviour', in Thomas W. Robinson and David Shambaugh, eds., *Chinese Foreign Policy: Theory and Practice*, Oxford: Clarendon Press, 395

of foreign delegations in Beijing.

Being a Maoist China until 1978, the PRC had challenged the status quo of international system by being committed to the “five never”²³:

- Never permit the use of foreign capital.
- Never run undertakings in the concert with foreigners.
- Never accept foreign loans.
- Never join the international capitalist IGOs.
- Never incur domestic nor external debts.

Chinese leaders continued to believe in the ‘Three Worlds Theory’²⁴ and thought in terms of building united fronts against primary enemies-in this era against the Soviet Union. Although as a member of the US Security Council, Beijing essentially remained passive in its approach to that body,²⁵ not deeming it a significant aspect of its foreign policy, or an important independent actor in its own right. China was also largely unengaged with Non Governmental Organizations (NGOs), preferring instead to put its energies into bilateral friendship organizations.

Until Deng Xiaoping had consolidated his position from December 1978 this did not begin to change. With international and especially American assistance, Deng set out to modernize China in ways yet untried, an objective which required the US to play two major roles: facilitating China’s access to needed advanced technology and skills; and contributing to a framework of security that first would help shield China from a predatory Soviet Union, and then more broadly help build a peaceful international environment that would allow for Beijing’s absorption in domestic issues. As a result of these decisions, within a few years, many aspects of the Maoist legacy had been cast aside. No longer a system reformer but a system maintainer, China began to be drawn into an international society which in many areas reflected the interests of the Western

²³ Kim, Samuel S, (1994) ‘China’s International Organisation Behaviour’, in Robinson and Shambaugh, eds., *Chinese Foreign Policy*, 426-7.

²⁴ Aijaz Ahmad (1992), “In Theory: Classes, Nations, Literatures”, London.

²⁵ Kim, Samuel S (1979), *China, the United Nations and World Order*, Princeton NJ: Princeton University Press.

states in terms of the norms, rules and institutions that had been established. These shifts in policy took place against the background of international systemic change and considerable domestic turbulence in China. Not surprisingly, therefore, it proved difficult at times for Washington to maintain the domestic consensus necessary for the stable prosecution of its China policy. Similarly, at elite levels within the PRC, profound doubts were exhibited especially at times when the regime felt vulnerable over the possible ramifications of the course it had chosen to chart diplomatically and economically. Thus, it has often proven difficult to maintain a level of participation sufficient to demonstrate commitment to international order.

Taiwan Issue:

The Taiwan Relations Act- 1979²⁶

High levels of general support in the US masked an unease about the official break in relations with the Taiwan and the failure of the normalization agreement to guarantee firmly enough the future security of a long-standing ally that many believed had the right to self-determination. President Carter's decision not to consult Congress during the negotiations leading to the establishment of diplomatic relations represented a misperception of the intensity of feeling- especially within Congress- on this question of Taiwan's future, as well as a misreading of the continuing Congressional determination to play a more assertive role in foreign affairs.

The outcome of this unease and exclusion from the policy process was the Taiwan Relations Act of February 1979, reflecting a suspicion that China had not given up its option on the use of force to regain Taiwan. The act declared that the US would deem any attempt to overrun Taiwan by non-peaceful means a threat to the peace of the Western Pacific, and a matter of grave concern to the Washington.²⁷ More significantly for the long term progress of Sino-American relations, the Act provided for continuing arms sales to Taiwan to enable the island nation to maintain a sufficient self-defence capability. The Act also authorized the continuation of commercial, cultural, and other relations between the people of the US and the people of Taiwan, and established the

²⁶ Joint Communiqué of the United States of America and the People's Republic of China. URL:<http://www.taiwandocuments.org/communique02.htm>.

²⁷ Taiwan Relations Act, P.L. 96-8, Section 11 (2). URL:<http://www.taiwandocuments.org/tra02.htm>

American Institute in Taiwan, a private, nonprofits organization as the entity that would conduct those unofficial relations. The main features²⁸ of this Act included:

- The policy of the US to preserve and promote extensive commercial and cultural ties with Taiwan.
- Preserving and promoting peace and security in Taiwan.
- Taiwan issue was to be resolved only through peaceful means.
- US would continue to provide Taiwan with defensive arms and to assert the right of Taiwan to resist any form of coercion from the opponents which would jeopardise the security of Taiwan.

This Act was welcomed by the Taiwanese government and criticized by the PRC. Nevertheless, this TRA continues to be the bedrock of US-Taiwan military relations.

The Act authorized quasi-diplomatic relations with the "governing authorities on Taiwan" by giving special powers to the American Institute in Taiwan to the level that it functioned as the de facto embassy, and state that any international obligations previously made between the ROC and the U.S. before 1979 were still valid unless otherwise terminated. One agreement that was unilaterally terminated by President Carter upon the establishment of relations was the *Sino-American Mutual Defence Treaty*; that termination was the subject of the Supreme Court case *Goldwater v. Carter*²⁹. According to the Act, Taiwan was to be treated under the U.S. laws the same manner as "foreign countries, nations, states, governments, or similar entities". The Act provided that for most practical purposes of the U.S. government, the absence of diplomatic relations and recognition would have no effect.

The Act did not recognize the terminology of "Republic of China" after January 1, 1979. It defined the term "Taiwan" to include, as the context might require, the islands of Taiwan (the main Island) and Penghu, which form the Taiwan Province and Taipei and Kaohsiung cities. The Act did not apply to Jinmen, the Matsus, the Pratas or Taiping Island.

²⁸ Taiwan Relations Act, P.L. 96-8, Section 11 (2). URL:<http://www.taiwandocuments.org/tra02.htm>

²⁹ *Goldwater v. Carter Case* (2008), <http://www.docstoc.com/docs/301784/Goldwater-v-Carter-Case-Brief>.

The PRC viewed the *Taiwan Relations Act* as an unwarranted intrusion by the US into the internal affairs of China. Three Joint Communiqués were signed in 1972, 1979, and 1982³⁰. The US declared that it would not formally recognize PRC's sovereignty over Taiwan as part of the Six Assurances offered to Taipei in 1982.

*The Third Communiqué- 1982*³¹

Chinese leaders were dismayed over the TRA 1979, and it became the main cause of dispute between the two countries, affecting progress in other areas of the relationship from 1979 to 1982. The matter of Taiwan's arms purchase was supposedly resolved between Beijing and Washington by the August 1982 Sino-American communiqué.

After additional negotiations concerning coordinating positions regarding the Soviet Union and Taiwan, the US and China released the joint communiqué by which the US agreed to reduce gradually the quantity and quality of its arms sales to Taiwan, and China agreed to make every effort for a peaceful resolution of the Taiwan issue. Both sides agreed that the people of the US would continue to maintain cultural, commercial, and other unofficial relations with the people of Taiwan after this Communiqué. Upon issuing the third Communiqué, the Reagan Administration offered private assurances to Taiwan that it would continue to offer defensive support to the island nation, and that it would not pressure Taiwan to enter into negotiations. In 1983, Deng Xiaoping proposed the "one country, two systems" approach for reunification with both Hong Kong and Taiwan.³²

However, in order to undercut Congressional criticism of the executive branch for signing such a document, Reagan's officials provided clarifications of the agreement which showed that it did not preclude the transfer of defence-related technology. Furthermore, it was not viewed by the US as legally binding but more as a statement of policy. This later point means that its terms could be revisited if Beijing were to threaten

³⁰ Three Joint Communiqué. URL:http://www.taiwandocuments.org/doc_com.htm

³¹ Joint Communiqué of the United States of America and the People's Republic of China. URL:<http://www.taiwandocuments.org/communiqué03.htm>.

³² Ministry of Foreign Affairs of the People's Republic of China (2000), *The Chinese government resumed exercise of sovereignty over Hong Kong and Taiwan*. URL:<http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18032.htm>

to use force to take over the island. To this day, Taiwan remained an issue that undermined the ties, because of the persistence of the perception in the US that China might still resort to force in effecting reunification, and because of the belief in Beijing that US policy suggested a willingness to transgress the norms of state sovereignty where Taiwan was concerned; a willingness to interfere in an internal Chinese affairs.

A year later, the Reagan Administration appeared a little more optimistic about the basis to the relationship. During the President's visit to Beijing in April 1984 he pointed to the ideological divisions, such as the Secretary of State Shultz had done a year earlier, but he also emphasized some of the contributions China was making in Asia, and drew attention to areas where China and the US might work together in the future.

During 1981 and 1982 China also began its own reassessment of the value of the tie with the US, and of the global balance of power. In the Chinese leadership's view, the US defence build up under Reagan had succeeded in raising that country to the point where it represented a potential hegemonic threat at least equal to, certainly no longer less than the Soviet threat. With Moscow bogged down in an unpopular and costly war in Afghanistan, its relations with key Eastern European allies in some disarray, and its economic and military support for Vietnam and Cuba burdensome, the trend of events seemed decidedly to be moving in Washington's favour. Moreover, there were some signs that the Soviet Union in 1982 sought a more productive relationship with China. At Tashkent, Brezhnev proposed resumption of negotiations with China to improve political, economic, and cultural ties. Where China was concerned, the Soviet leader appeared to renounce the applicability of the doctrine that carried his name; while Reagan was announcing one that foreshadowed a more active anti-communist stance, especially in the developing world.

As a result of such reflections on global developments, domestic political tensions arising from too close identification with the West, and with the specific irritations in the bilateral relationship with Washington- notably, arms sales to Taiwan-China announced at the Twelfth Party Congress in 1982 its independent foreign policy. Henceforth, China would retreat from its policy of confrontation with the Soviet Union and would give greater stress to matters of sovereign independence in the context of a more complex and

balanced set of international relationships. In the Hu Yaobang's report to the party congress explained that the policy shift meant that China would never attach itself to any big power or group of powers', and would never yield to pressure from any big power.³³

Certainly this flexible approach to foreign relations allowed China to explore the possibility of a rapprochement with Moscow and to be more selective in its criticism or support for US foreign policy actions. Yet an independent foreign policy did not necessarily mean equal involvement with the two superpowers in all functional areas. Although the tacit strategic alignment might be less in evidence, clearly the US was the more beneficial partner for China. Not only could it aid China's military and economic modernization efforts and facilitate its entry into and involvement with the keystone economic institutions, it deemed vital for the transformation of China's economy. It too was the one country that could provide China with critical military data on the Soviet Union. This was important at least until Beijing was more certain that Moscow no longer represented such a pressing military threat, and that the PRC had been correct to place the military last in line in the Four Modernizations. The centrality of Washington to Beijing's economic reform efforts and to the international acceptance of China's objectives was to be demonstrated on many occasions. Not until 1980 did China apply for and gain membership of the IMF and World Bank, the timing resting on the belief that a successful application would require US consent or at least its acquiescence. Thus normalisation of relations would have to precede those applications for entry, for without the withdrawal of US recognition from Taiwan, difficulties were expected to arise.

The ideological power of such bodies was made manifest once China became a member. The advice and funds that China's reformers had access to was instrumental in altering the perceptions of many Chinese leaders about both the world economy and their own economic performance. Each concessionary loan came with feasibility studies and advice on the selection of technologies and international suppliers. After Japan, the World Bank quickly became China's most important source of external funding, approving between 1980 and 1989 some \$7.4 billion in loans covering 69 projects primarily in the areas of education, energy, transportation, and agriculture. By the mid-1980s, China was to

³³ Beijing Review, 25, no.37 13 Sept. 1982, p. 29.

become the Bank's largest borrower; it had also successfully negotiated its first standby credit from the IMF, and had started to raise funds on the Eurodollar bond market.

The success of China's modernisation drive also depended on access to the American market. Although bilateral trading levels had declined between 1981 and 1983- as a result of macroeconomic problems in each economy, together with specific bilateral disputes-in May 1983 the Reagan Administration further liberalised its technology transfer policy, declaring China a friendly non-allied country and one that could therefore be shifted to country group V alongside America's West European allies. Such liberalisation contributed to trading advances: from 1979 to 1985, the US share of China's exports was doubled, from 6 percent to 14 percent. Two-way trade rose from \$2.3 billion in 1979 to \$7.7 billion in 1985, representing 11 percent of total PRC trade, but only 1.4 percent for the US. Its investment level also began to rise after 1983: only \$18 million in 1983, investment totalled \$280 million in 1984 and nearly \$1 billion by the end of 1986. But such economic contact came with specific pressure on China to open its market, transform its trading practices, and move towards the GATT norms of transparency and reduction of tariffs."³⁴

China soon joined the Asian Development Bank in 1986 and applied for membership in the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). The United States did not initially supported China's entry into the latter two organizations because of reservations about the degree of openness of China's economy.

The Tibetan Issue:

Tibetan history was notable in two particular respects. One was the extraordinarily pervasive influence of Buddhism in all aspects of daily life. The second noteworthy aspect of Tibetan history was the ambiguity and disagreement surrounding Tibet's long political relationship with China. Tibetans generally viewed Tibet as a historically independent nation that had a close relationship with a succession of Chinese empires. A succession of Chinese governments, on the other hand, had claimed that Tibet had been a political and geographical part of China for many centuries. In 1949-1951, the newly established communist government of the People's Republic of China backed up this

³⁴ Yangmin Wang (1993), "The Politics of U.S.-China Economic Relations: MFN, Constructive Engagement, and the Trade Issue Proper", *Asian Survey*, 33(5), May: 441-462

claim by sending military troops to occupy Tibet. Since then, Tibet had been under active China rule as its westernmost province, Xizang or Tibet Autonomous Region.

For years reports had claimed that third parties were involved in the 1950s dispute and confrontation between the Tibetans and the Chinese Communist government, particularly India, the US and Taiwan. It was believed that CIA involvement began in the mid-1950s, proximate to the Dalai Lama's visit to India and his subsequent return to Tibet. There had been unconfirmed reports, for instance, that in the 1950s the CIA trained Tibetan rebels at Camp Hale, Colorado; that at least one CIA-trained operative accompanied the Dalai Lama on his 1959 flight to India; and that this operative was in constant radio touch with the CIA station in Dacca, India, which then conducted air-drops to supply the Dalai Lama's entourage. The Dalai Lama and the Tibetan exile community have denied third party involvement.

Much of the PRC's tenure in Tibet had been troubled, particularly during the tumultuous *Cultural Revolution* (1966-1976) when most monasteries, palaces, and other aspects of Tibetan Buddhism and culture were either damaged or destroyed. The International Campaign for Tibet claimed that over one million Tibetans died during the first 30 years of PRC rule. Beijing refuted this, claiming that the material life and health of Tibetans in Tibet had greatly improved under PRC governance.

Washington's Tibet Policy

Tibet became a recurring issue in congressional deliberations in the late 1980s. A number of factors contributed to Congressional interest on this issue including the Dalai Lama's and his followers' political activities. One, reports of human rights abuses and China's repressive social and political controls in Tibet. Secondly, the lack of consensus among the U.S. policymakers over what U.S. policy would be toward China. As a matter of official policy, the U.S. government recognized Tibet as part of China, although some disputed the historical consistency of this U.S. position. Since normalization of relations with the PRC in 1979, successions of both Republican and Democratic U.S. Administrations favoured policies of engagement with China. In the process, they

frequently sought to minimize areas of potential tension with Beijing on which Chinese leaders took strong positions, such as on the question of Tibet's political status.

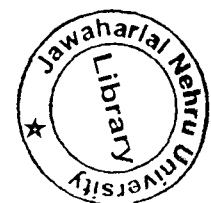
The Dalai Lama, the most charismatic and renowned advocate for the Tibetan people, made efforts to gain international support for Tibet's cause during 1986-1987. The goal of this campaign was to garner Western and principally U.S. support for Tibet's situation, and ultimately to bring this international pressure to bear on Beijing to make satisfactory political concessions. As part of this new strategy, the U.S. Congress in 1987 began 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.

Two events of particular importance occurred in 1987. First, on September 21, the Dalai Lama made his first political speech in the United States, to the Congressional Human Rights Caucus. In that speech, the Dalai Lama made a five-point proposal for resolving the Tibet question that was well-received in the United States and had significant consequences on congressional attitudes toward Tibet. Second, Congress put non-binding measures into place in 1987 declaring that the United States should make Tibet's situation a higher policy priority and should urge China to establish a constructive dialogue with the Dalai Lama.

The 1987 language, though not the first that Congress had passed regarding Tibet, marked the beginning of a significant increase in congressional activity on Tibet's status. From this point on, congressional supporters sought to mention Tibet separately whenever possible in legislation relating to China. In 1990, in considering foreign relations authorization legislation that contained the so-called Tiananmen sanctions, Congress singled out Tibet for special mention in sense-of- Congress language that closely resembled the five points the Dalai Lama had proposed earlier and, in the same legislation, mandated the Voice of America to begin broadcasts in the Tibetan language.

In early March 1989, the Chinese authorities violently suppressed a pro-independence demonstration in Lhasa, killing at least 12 people, injuring more than 100, and arresting at

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least 300. Martial law was then declared in the capital and its environs. Both the House and the Senate responded by passing resolutions that condemned Chinese policies and the abuse of human rights in Tibet and established a Voice of America Tibet service. The Chinese government responded quickly. On March 19, the Foreign Affairs Committee of the Chinese National People's Congress lodged a strong protest with the U.S. and expressed utmost indignation at the Senate's gross interference in China's internal affairs with respect to Tibet. The statement claimed that the U.S. Senate's resolution on the Tibet question of March 16 had slandered the Chinese government with its accusations of repression and human rights violations in Tibet, and asked the U.S. Congress to bear in mind "the overall interests of safeguarding Sino-U.S. relations."³⁵ Meanwhile, the Dalai Lama received a boost later that year when he was awarded the Nobel Peace Prize, thus increasing his global influence.

On March 23, 1990, the Senate and House passed a joint resolution urging the President to proclaim May 13, 1990, a National Day in support of freedom and human rights in China and Tibet, and calling on the people of the U.S. to observe the day with appropriate ceremonies and activities. In an effort to provide humanitarian assistance to Tibetan refugees in India, Congress authorized 1,000 special visas for Tibetans under the Tibetan Provisions of the U.S. Immigration Act of 1990. The Tibetan U.S. resettlement project also began in 1990.³⁶

The following year, the Senate continued its drive to press China on freedom and human rights for Tibet by passing a resolution sponsored by Senator Daniel Moynihan inviting the Dalai Lama to visit the U.S. that April. This did not sit well with the Chinese government, which had become particularly sensitive to persistent allegations from human rights organizations that it had engaged in widespread violations in Tibet. As a result, in March, the Chinese consul general's office in New York sent letters to the presidents of several prominent universities in which it labelled the Dalai Lama an exile who engaged in political activities aimed at splitting the motherland. The letters recommended that the Dalai Lama's appearance be cancelled and hinted that Sino-American cultural exchanges could be harmed by such engagements.³⁷ The pressure campaign was typical of Beijing's long-time policy on how to respond when accused of flagrant human rights abuses in Tibet. Its aim was to discourage

³⁵ China Rebuffs Tibet Bills By U.S., EP," *Beijing Review*, 17 March, 1989.

³⁶ "Quiet Tibetan Influx," *New York Times*, 14 May, 1992, p. B1.

³⁷ "China Frowns on Dalai Lama's U.S. Visit," *Washington Post*, 5 April, 1991.

international recognition of the Buddhist leader of the world's six million Tibetans. Such tactics were ill timed. However, for they came when members of Congress, many of whom were still angry over the Tiananmen massacre, were considering whether to extend China's preferential trading status.

The congressional concerns were not reflected in the Tibet policy of the Bush Administration. It had had maintained its distance from the Dalai Lama until 1991 in favour of cordial relations with China. Bowing to congressional pressure, President Bush became the first U.S. president to meet the Dalai Lama when he received the Tibetan leader in Washington on April 16. Although the White House continued to insist that Tibet was a part of China and did not recognize it as an independent entity, this meeting signalled a shift from the position the administration had taken two years earlier, when Bush had declined to receive the Dalai Lama. Furthermore, Bush used the occasion to express the persisting concerns in the U.S. over human rights problems in Tibet. China lodged a strong protest over the meeting with U.S. Ambassador to China James Lilley, claiming that the meeting was "an act of gross interference in China's internal affairs."³⁸

Congress, still not satisfied with Bush's Tibet policy shifts, adopted the State Department's funding authorization bill on March 23, 1991. This bill contained a bold provision sponsored by Senator Claiborne Pell that declared Tibet was an occupied country under the established principles of international law. It also stated that "Tibet's true representatives were the Dalai Lama and the Tibetan government-in-exile."³⁹

The U.S. legislature was not alone in its critical stance. On August 23, 1991, the U.N. Sub-commission on Prevention of Discrimination and Protection of Minority Rights adopted a resolution on Tibet, the first time any U.N. body had given comment on the situation there since the seating of the PRC government in the organization in 1971.⁴⁰

³⁸ *Keesing's Record of World Events*, 37:5, 1997.

³⁹ U.S. Congress Foreign Relations Authorization Act, Fiscal Years 1992 and 1993.

⁴⁰ The resolution claimed that "Tibet has maintained throughout its history a distinctive and sovereign national, cultural, and religious identity separate from that of China and, except during periods of illegal Chinese occupation, has maintained a separate and sovereign political and territorial identity *Yearbook of the U.N.*, 1991, vol. 45, New York: United Nations, 1992, p. 606.

In 1992, Congress appropriated \$1 5 million for Tibetan refugees in that year's budget, and the Senate passed a resolution sponsored by Senator Paul Simon urging the U.S. government to call for the protection of human rights in Tibet in all appropriate international forums. Under pressure, the Bush Administration began to criticize China strongly for human rights violations in Tibet, though it maintained its stand on the legitimacy of China's sovereignty over Tibet. Nonetheless, the State Department's annual human rights report cited China that year for "persistent abuses in Tibet" that included "frequent credible reports from Tibetan refugees of torture and mistreatment in penal institutions [and] harsh sentences for political activities," and ongoing religious and cultural persecution.⁴¹ Furthermore, at the 48th annual meeting of the U.N. Human Rights Commission (UNHRC) held in Geneva, U.S. Assistant Secretary of State Richard Schifter delivered a long speech on February 20 attacking China's human rights abuse. Twenty-two nations submitted the 1991 resolution for approval by the assembled member states, but the U.S. delegation supported a revised draft that brought up questions of sovereignty, which had been passed over in the former. China vigorously opposed both drafts, accusing the U.S. of violating international law and interfering with China's internal affairs. On March 4, the UNHRC decided that no further action would be taken on either draft. Two days later, Beijing attacked the drafts' backers, stating that "hostile Western forces want to wilfully interfere in China's international affairs and incite a handful of separatists to split Tibet from China on the pretext of human rights."⁴²

The Tiananmen Square Massacre

Following the Chinese authorities' suppression of demonstrators in June 1989, the U.S. enacted a number of measures to express their condemnation of the PRC's violation of human rights. The U.S. suspended high-level official exchanges with the PRC and weapons exports from the U.S. to the PRC. The U.S. also imposed a number of economic sanctions. In the summer of 1990, at the G7 Houston summit, the US and its allies called for renewed political and economic reforms in mainland China, particularly in the field of human rights.

⁴¹ *U.S. and Chinese Policies Towards Occupied Tibet: Hearing before the Committee on Foreign Relations*, 28 July, 1992.

⁴² "Human Rights Defenders Fail to Win Support," *People's daily*, 6 March, 1992

Tiananmen incident disrupted the U.S.-PRC trade relationship, and U.S. investors' interest in mainland China dropped dramatically. The U.S. government also responded to the political repression by suspending certain trade and investment programs. Some sanctions were legislated; others were executive actions. Examples included:

- The U.S. Trade and Development Agency (TDA) - new activities in mainland China were suspended from June 1989 until January 2001, when President Bill Clinton lifted this suspension.
- Overseas Private Insurance Corporation (OPIC) - new activities suspended since June 1989.
- Development Bank Lending/International Monetary Fund (IMF) Credits - the United States refused to support development bank lending and IMF credits to the PRC except for projects that addressed basic human needs.
- Munitions List Exports - subject to certain exceptions, no licenses was to be issued for the export of any defence article on the U.S. Munitions List. This restrictions could be waived upon a presidential national interest determination.
- Arms Imports - import of defence articles from the PRC was banned after the imposition of the ban on arms exports to the PRC. The import ban was subsequently waived by the Administration and re-imposed on May 26, 1994. It covered all items on the Bureau of Alcohol, Tobacco, and Firearms' Munitions Import List.

But President George H.W. Bush maintained communications with senior Chinese leaders, and twice sent Brent Scowcroft and Lawrence Eagleburger on secret missions to Beijing to reassure Deng Xiaoping and the Chinese leadership that the United States would maintain ties. Tensions continued into the next year, with criticisms aired from both sides, although diplomatic ties were never severed and China remained open to foreign trade.

In 1991 the Chinese Government agreed to sign the Nuclear Non-Proliferation Treaty (NPT), and reached a compromise formula with Asia-Pacific Economic Cooperation (APEC) that allowed China, Taiwan, and Hong Kong to join as separate economies rather

than separate states.

The first high-level contacts in several years occurred when President George H.W. Bush and Chinese Premier Li Peng met on the sidelines of a U.N. conference in 1992. At the same time, President Bush maintained support for Taiwan by authorizing new arms sales and dispatching a Special Trade Representative to the island.

George Bush was the chief American diplomat in Beijing in the initial phase of the normalization of U.S.-China relations. As President, he managed the Sino-American relationship in the shadow of Tiananmen for most of his White House years. But at the end of his presidential term, he left the relationship in a very conspicuous limbo. Cabinet-level official contacts had been restored, but the U.S. leader who included China in his first presidential trip abroad in 1989 avoided that country in his last presidential tour of East Asia in 1992. Bush also irritated the Beijing leadership when he approved the sale of 150 F-16 jet fighters to Taiwan during the 1992 election campaign, although the actual transaction was left to the Clinton administration to fulfil. Annual U.S.-China trade had grown to a record high of nearly \$30 billion, while the MFN trade status for China remained a hot issue of political controversy and policy debate.

MFN Issues:

However, China's MFN status was subject to a list of requirements specified by the U.S. Trade Act of 1974 and to annual renewal by the president in accordance with the Jackson-Vanik Amendment. Under these requirements, the U.S.-PRC trade agreement was to be negotiated periodically, and MFN therefore was not granted in perpetuity as was membership in GATT. Moreover, it was linked to a particular domestic policy of the Chinese government with regard to free emigration, and finally, it was to get U.S. congressional approval every year.

From 1980 onward, notwithstanding trade and other economic disputes between the PRC and the US from time to time, China's MFN status went through all the annual U.S. procedures uneventfully until the Tiananmen Incident. Immediately after the Chinese government's crackdown on June 4, 1989, a number of U.S. legislators proposed that the administration should consider China's human-rights record before it issued the required certification

for renewing MFN status. Although both the House and Senate quickly passed bills containing a series of punitive actions against Beijing, the MFN issue was laid aside until a year later when the trade agreement with China came up for renewal again. This time, strong voices were raised in both the House and the Senate against extension of MFN treatment, but Bush managed to override the opposition and, backed by the Republicans in the Senate, extended MFN unconditionally to China in 1990.

In 1991 Congress again considered legislation to condition MFN status as a primary vehicle to influence U.S.-China policy. Up to the end of May when President Bush sent to Congress the annual notification of his intention to renew China's MFN status without condition, some half-dozen bills on the issue had been presented to each house. Besides human rights, a new feature common to the proposed bills was that the sponsors expanded on and diversified their approaches to issues involving China, stressing specific grievances such as non-protection of IPR, the U.S. trade deficit, and China's behaviour on weapons and nuclear proliferation, among other particular concerns.

Interestingly, as Congress started to look pragmatically at the complicated range of U.S. strategic and economic interests related to the MFN issue, Bush began to stress the political and moral basis for his China policy. On May 27, 1991 two days before he officially notified Congress of his intention to renew China's MFN status, President Bush said in a commencement address at Yale University: "The most compelling reason to renew MFN and remain engaged in China was neither economic nor strategic, but moral. It was right to export the ideals of freedom and democracy to China. But it is wrong to isolate China if they hope to influence China."⁴³

The foundation for a new consensus on China policy seemed to be emerging through the chronic debate within the U.S. government over the MFN issue. In July 1991, in an exchange of letters with senators on the U.S.-China relationship, Bush responded sympathetically to each of the specific issues raised by the senators. It addressed three key categorical issues raised by Congress, namely, Chinese trade practices, China's policy on

⁴³Nicholas R. Lardy (2001), *U.S.-China Economic Relations: Implications for U.S. Policy*, (For more see http://www.brookings.edu/testimony/2001/0425gloabaleconomics_lardy.a.spx.)

arms sales and nuclear proliferation, and human rights. Bush stressed that the administration shared Congress's concerns on those issues and sought the same goals as Congress in wanting to see China return to the path of reform, show greater respect for human rights, adhere to international norms on weapons sales, practice fair trade, and contribute to international stability. To address those concerns effectively and achieve American goals, the Administration would continue the interaction with the government and people of China based on the three U.S.-China communiqués, and would not hesitate to use all available leverage in a targeted fashion to influence China's reform progress and policy behaviour.

On trade issues specifically, U.S. agencies were instructed to press vigorously the American concerns about alleged unfair trading practices, and in April 1991 Bush directed the U.S. Trade Representative (USTR) to identify China as a priority foreign country under the special 301 provisions of the 1988 *Omnibus Trade Act* for failing to protect U.S. IPR. The administration invited senior Chinese trade officials to Washington to discuss a host of other specific issues and ordered the U.S. Customs Service and related agencies to investigate those charges.

Intellectual Property Rights:

The protection of American IPR was an issue that had been raised by American businesspersons as well as the U.S. government long before Tiananmen incident. However, it was only after Tiananmen incident Congress took note of its unusual dimensions and significance.

That protection of IPR was a prominent issue between the two countries indicated how alien the Western market system to China was. It was one of the most difficult conditions put forward during the first trade negotiations in 1979, as the Chinese negotiators had little understanding of this capitalist concept. Under the system established by the Chinese Communist Party (CCP), intellectuals—including scientists, engineers, writers, and virtually all professionals engaging in mental labour—had been politically classified as social elements excluded from the working class. Their works were treated as public products of the society, although if anything went wrong, especially with regard to

artistic and literary works, the author bore sole responsibility and often suffered severe punishment. Any innovative and valuable intellectual work was free for use by all social units across the country, as long as it was approved by party authorities. Thus, Chinese officials were literally astonished in 1979 by U.S. demands for protection of this kind of property. Negotiations on the first U.S.-PRC trade agreement stalemated over the issue until Deng Xiaoping personally promised that China would protect patents and other intellectual properties.⁴⁴

Considering this background, China did make slow and uneasy headway in adapting itself to Western market principles on IPR. First, Deng Xiaoping made an official declaration in 1979 that, from then on, intellectuals and professionals in China were part of the "working class," and that their creative work and achievements must be respected.⁴⁵ Besides persuading the party to accept this revolutionary way of thinking, Deng had to start from scratch to build a legal system to carry out his promises on protecting patents, trademarks, and other rights granted on IPR. It took Deng more than five years before the National People's Congress adopted the PRC Patent Law, which went into effect on April 1, 1985.⁴⁶ It was only then that the PRC joined the ranks of nations that recognized the products of mental labour as a form of individual wealth, giving rise to proprietary rights and having measurable economic value.

The Patent Law also represented a major advance in China's effort to create the legal framework it needed to encourage importation of foreign technology. Earlier milestones in this area were China's adoption of a Trademark Law and its entry into the World Intellectual Property Organization in 1983 and its signing of the Paris Convention for the Protection of Industrial Property in December 1984. However, Americans found that there were still considerable gaps between the Chinese laws and Western norms.

⁴⁴ A. Doak Barnett (1981), *China's Economy in Global Perspective*, Washington, D.C: Brookings Institutions, p.522.

⁴⁵ Morrison, Wayne M. (2001), CRS Report: IB91121- China-U.S. Trade Issues, Foreign Affairs, Defense, and Trade Division, April 13. URL:<http://ncseonline.org/NLE/CRSreports/Economics/econ-35.cfm?&CFID=1255395&CFTOKEN=96369856>.

⁴⁶ Ibid

In the mid-1980s, the Americans generally showed understanding of the Chinese situation and positions on the issue. China was hailed as entering a new era in the granting of rights to intellectual property,⁴⁷ but this understanding was replaced by growing frustration as U.S.-China trade and economic relations expanded and as more American companies' experienced Chinese infringement of technical confidentiality. After Tiananmen, this frustration became anger, not only among those in Congress who challenged China's qualifications for MFN trading status but also among those who wanted China's status to continue and U.S.-China business to expand. In the two years after Tiananmen, American business alleged that Chinese piracy was estimated to have cost them more than \$400 million in lost sales annually—\$300 million of that in software alone.⁴⁸

The Bush Administration took a tougher stand, and in April 1991 the USTR moved China from the watch list to a "target priority foreign country" designation and began a six-month investigation of Chinese intellectual property practices under the special 301 provisions. Beijing was told that by November 26, 1991, or, if extended, by February 26, 1992, the USTR would determine whether China was providing adequate and effective protection of intellectual property; if not, trade sanctions were very likely to be imposed. The Chinese then started moving swiftly in the American-pointed direction. While protesting the "301 Investigation" targeting China as unfair and unfriendly, Beijing received a U.S. delegation and released two new pieces of legislation on the protection of intellectual property in June 1991 during the time the U.S. investigative team was in Beijing. The legislation consisted of the long-called-for Chinese Copyright Law (CCL) and its Implementing Regulations, including software. While happy to see the Chinese starting to move, Joseph Massey, assistant USTR for Japan and China, commented that those laws were still "not up to international standards."⁴⁹

The Chinese Government insisted that it had made headway in complying with international norms. In December 1991, Vice-Minister Wu Yi of the Ministry of Foreign

⁴⁷ Ellen R. Eliasoph (1985), "China's Patent System Emerges," *China's Business Review*, January-February, pp. 50-57

⁴⁸ Morton David Goldberg and Jesse M. Feder, (1991), "China's Intellectual Property Legislation," *China's Business Review*, September-October, p.8.

⁴⁹ Scalapino, Robert A. (1999), "The United States and Asia in 1998: Summitry amid Crisis", *Asian Survey*, 39(1), A Survey of Asia in 1998, Jan. - Feb.:1-11 University of California Press URL: <http://www.jstor.org/stable/2645588>.

Economic Relations and Trade declared that since China was a developing country, it was essential to protect its emerging but weak industries. Therefore, they were not in a position to satisfy all demands from the Americans.⁵⁰ Knowing the PRC leaders as masters of eleventh-hour negotiations, the USTR set January 16, 1992, as the deadline for imposing sanctions affecting an estimated \$700 million worth of Chinese exports to the United States, should the dispute failed to be resolved. The Chinese threatened to retaliate against any U.S. sanctions.

The stalemate was eventually broken when a memorandum of understanding (MOU) was signed hours after the deadline in which the USTR agreed to terminate its special 301 investigation in exchange for a number of commitments by the PRC government. China agreed to join the Berne Convention⁵¹ and the Geneva Phonograms Convention⁵² within 18 months, and to take necessary steps over the next two years to enact new laws and regulations that would expand the scope of protection for intellectual property. Under the MOU, computer programs were protected for 50 years in China under the category of "literary works" without imposition of any mandatory formalities, as specified in the Berne Convention.

As a consequence of this change in categorization, China had to amend and revise its new Copyright Law and Software Regulation no later than October 15, 1992, the targeted date for accession to the Berne Convention. With regard to inconsistencies in other Chinese laws (such as the Patent and Trademark laws), China acknowledged in the MOU that provisions of international treaties, such as the Paris Convention for the Protection of Industrial Property (which China joined in 1985) and the Berne Convention, would prevail over China's domestic legislation and that China would provide foreigners the higher standards of protection imposed by the Berne Convention. The MOU also required China to consult

⁵⁰ Saunders, Phillip C. (2000), "China's America Watchers: Changing Attitudes towards the United States", *The China Quarterly*, no. 161, Cambridge University Press Mar: 41-65. URL: <http://www.jstor.org/stable/655980>.

⁵¹ (For more see URL: http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html.)

⁵² Also known as the Geneva Phonograms Convention is a 1971 international agreement relating to copyright protection for sound recordings. (For more see http://www.wipo.int/treaties/en/ip/phonograms/trtdocs_wo023.html).

with the United States during the drafting of these regulations and to take its views "into consideration."⁵³

There were still some unsolved problems such as the "double tier" protection for foreigners and Chinese citizens in which foreigners were accorded a higher level of protection than the Chinese. It must be pointed out that it was not the USTR who demanded higher protection for foreigners, but the Chinese government that refused to give its citizens the equal protection required by international standards. This once again demonstrated the limits of U.S. influence in affecting the way the Chinese government treated its own citizens. In spite of such potential problems, both countries welcomed the accord as an important step in bringing China's intellectual property laws in line with international practice and in encouraging new types of high-tech investment by American companies. Beijing kept its promises by submitting applications to join the Berne Convention and the UCC and presenting revisions of the Patent Law to the NPC for approval in June 1992. The Berne Convention and the UCC took effect in China the following October, and China officially applied to join the Geneva Phonograms Convention in December.

Convict-Labour Products:

China's export of convict labour products to the United States was a relatively new issue first raised in May 1991 by Senator Jesse Helms as one of his allegations of PRC untrustworthiness. One month later, Helms made his charges a grave issue in Congress by citing a long list of Chinese prison-labour products in the U.S. market."⁵⁴ But his charges did not become a full blown public issue until Columbia Broadcasting System (CBS) television broadcast a disturbing report on China's forced-labour camps and the export of convict-labour products in its "60 Minutes" program on September 18, 1991.⁵⁵

Besides the effect on American public opinion, the prison-labour issue raised legal problems under U.S. law. According to Section 307 of the 1930 Smoot-Hawley Tariff Act, the United States prohibits the importation of goods produced by forced, slave, or

⁵³ Joseph T. Simine Jr. (1992), "Improving Protection of Intellectual Property," *China's Business Review*, March-April.

⁵⁴ Congressional Record, (1991), 137:70 May 5, p.S5, 629

⁵⁵ Yangmin Wang (1993), "The Politics of U.S.-China Economic Relations: MFN, Constructive Engagement, and the Trade Issue Proper", *Asian Survey*, 33(5), May: 441-462

prison labour. But the law was modified by regulations and provisions that could open loopholes. First, in determining that suspected goods were produced with forced labour, the Customs Service must present credible evidence of first-hand knowledge of forced labour practices. Second, the Hendrick Rule⁵⁶ formulated in 1965 allowed considerable leeway for American importation of forced labour products. Third, the United States did not prohibit the domestic marketing or export of products manufactured by its own prison labour. According to a report in 1992, some 5,000 U.S. inmates were working for private industry and around 65,000 inmates were making license plates and furniture for sale to federal, state, and municipal agencies, earning 20 to 90 cents an hour. Cheap prison labour helps some U.S. companies compete overseas; for example, the report notes that a U.S. company, the Nyman Marine Corporation, employed prisoners to make boat lifts that are exported to Denmark, Holland, and France.⁵⁷

With those legal exceptions, the U.S. provided a domestic market for prison products, and did not hold that trade in prison goods as illegal. When China's export-led growth policy was encouraging virtually every production unit to get into the world market, prisons and forced-labour camps also sought to earn some hard currency. However, before Tiananmen, the entry of products from labour camps and prisons into the U.S. did not catch much attention.

On President Bush's instructions, the U.S. government took steps to block imports of Chinese goods suspected of originating from prison labour. In September 1991 the U.S. Customs Service announced it would hold all shipments of open-end spanners, socket wrenches, and steel pipe made by four Chinese factories suspected of employing prison labour, and a customs official testified before Congress that his agency had intensified its intelligence-gathering efforts to detect forced-labour products from China. In Congress, legislation aimed at blocking the suspect products was introduced. Two bills by Senator Helms sought to put bigger teeth into Section 307 of the Smoot-Hawley Act, and attached to the text of one of them was an extensive list of alleged convict-labour products that

⁵⁶ Yangmin Wang (1993), "The Politics of U.S.-China Economic Relations: MFN, Constructive Engagement, and the Trade Issue Proper", *Asian Survey*, Vol. 33, No. 5 (May, 1993), University of California Press, pp. 441-462 . URL: <http://www.jstor.org/stable/2645312>

⁵⁷ There's Prison Labor in America, Too, *Business Week*, 17 February, 1992, p.42

included specific brands (Golden Sail tea) and entire classes of goods (e.g., cotton from Xinjiang). The bill also would require the Treasury Department to inspect suspected Chinese prison-labour facilities to ensure that forced labour is not employed in the production of goods for export.

The Chinese government took a low profile on the issue, and did not protest the U.S. Customs' holding of the goods from the four factories. In October 1991, the Chinese Ministry of Foreign Economic Relations and Trade (MOFERT), and the Ministry of Justice jointly issued a regulation banning the export of prison goods. While reaffirming that the government did not allow labour-reform facilities to produce goods for export, the regulation stated that it was the government's policy to "reform criminals through labour with able-bodied prisoners," including production aimed at turning inmates into labourers able to earn their own living. Upon discovering the export of prison goods, China's Customs was authorized to detain and confiscate the goods, and punishment would be meted out to those responsible. On the same day, a MOFERT spokesman said that since the U.S. had laws prohibiting the import of prison goods, it was the U.S. government's responsibility to see that American enterprises did not import such goods from any country, and that it was unfair to single out China and unwise to set obstacles against normal trade and economic relations between the two countries. A few months later, the official Chinese media reported that several cases involving export of prison goods were tried in the courts, the goods confiscated, the enterprises fined, and several managers of labour-reform facilities and involved enterprises punished.⁵⁸ Such reports implicitly recognized that efforts were made to export Chinese prison goods to the United States.

Not satisfied with the steps taken by China, the Bush Administration prepared to negotiate another MOU specifically on the prison goods issue, hoping to reach agreement by September 1992. The terms it set forth asked China to release suspected political prisoners who might be unwilling participants in the prison-labour system, and allow U.S. access to suspected labour-reform facilities in order to confirm or dismiss allegations that prison goods were destined for the U.S. market. Progress on the MOU stalled when China refused to admit that it held political prisoners and to allow American inspections on the grounds

⁵⁸ Renmin Ribao (Beijing), 10 October, 1991, pp1, 2.

that they would violate China's sovereignty. The PRC eventually decided that it was probably wiser to make further concessions than to hold out against the Bush administration, or to shift the burden to American importers of Chinese goods. On August 8, 1992, China signed the MOU and agreed that U.S. inspectors might visit convict-labour facilities in China when evidence was presented regarding the export to the United States of products made in the prison-labour facilities.⁵⁹ This was a significant and a rare instance of China backing off from its long-proclaimed principle of the inviolability of China's sovereignty.

The Textile Issue:

Since the first U.S.-PRC trade agreement in 1979⁶⁰, textiles had been China's most significant export to the United States. By 1989 it was the world's fifth largest textile exporter, earning \$13.1 billion or 7.2% of the world total textile exports.⁶¹ Developed countries, as originators of the modern textile industry, were concerned with the product cycle under which labour-intensive industries moved to developing countries, and they had insisted on establishing an international regulatory regime to manage the international textile trade.

The 1974 Multi-Fibre Agreement (MFA) provided an international framework under which its 52 signatories, including China since 1984, managed the orderly development of the trade and seeks through quotas to prevent domestic market disruption caused by import surges. While setting an overall minimum growth level of 6% a year for quotas, the MFA did not prohibit the imposition of standard national tariffs or import duties on textiles. Individual signatories might specify lower levels in bilateral agreements, and when permitted entry under MFA quotas, textiles was subjected to such tariffs until the volume in any controlled category reached its annual ceiling. At that point, subject to certain flexibility provisions, further entries were blocked for the rest of the quota year.

⁵⁹ Sing Tao Daily (Hong Kong), 8 August, 1992, p.1.

⁶⁰ (For more see www.fas.org/sgp/crs/row/RL31403.pdf)

⁶¹ "China's Export Strategy of Textiles in the 1990s," *China's Foreign Trade*, Hong Kong, January 1991, p.3

Since 1979, the U.S. had signed three bilateral textile agreements with China under the MFA rubric. The last agreement, which became effective in January 1988, set quotas on all textile imports from China except for a few handicraft items, and limited those imports to an average annual growth rate of 3%, half the minimum 6% set by MFA. This agreement was due to expire at the end of 1990, and while negotiations on its renewal proceeded, allegations of fraud by China were made and Chinese textiles became a likely target of U.S. trade sanctions under the special 301 provisions. The Chinese were accused of targeting smaller countries for illegal transshipment of textiles to the U.S., usually countries that either did not have MFA quotas or whose annual quotas regularly went unfilled. According to American officials, more than \$85 million worth of Chinese textiles shipped to the United States in 1990 were fraudulently mislabelled as to country-of-origin.⁶² In December 1990 and February 1991, the U.S. Committee for the Implementation of Textile Agreements (CITA) officially determined that China had illegally shipped textiles to the U.S., and it directed the Commissioner of Customs to charge the amounts involved against China's 1990 quotas in some 19 categories.

One problem was the differences in the accounting of trade figures between the United States and China. Beijing, however, insisted that U.S. bound goods shipped first to a third country or territory, where value might be added through finishing, packaging, marketing, or shipping, were Chinese exports to that country. If these goods were eventually re-exported, they constituted exports from that country, not from China. Chinese officials also claimed that Chinese textiles valued at some \$7-8 billion and exported directly to the U.S. were actually materials from Taiwan and Hong Kong that were only partially processed in the PRC. China earned only a small amount, only 7%-8% of the total value of these transactions, or about \$700 million due to the low value-added nature of its processing industry, yet the full value of the goods was assigned to China's quota by the United States.⁶³ With these positive moves, Washington agreed in April 1991 to extend the bilateral textile agreement for two years.

⁶² James L. Kenworthy (1991), "The Transshipment Question," *China's Business Review*, September-October, p.43.

⁶³ Donald M. Anderson (1991), "The Word from Beijing," *China's Business Review*, July-August, p.6

In May 1992, when it was again time to renew China's MFN status, a U.S. federal court filed suit against three Chinese companies and four Chinese trade officials in the United States, charging them with fraudulently importing Chinese textiles into the United States. Since September 1991, U.S. federal agencies had opened investigations on 23 Chinese trading companies in the United States suspected of engaging in illegal textile trade, had launched 143 searches of their property, and sent out 50 arrest warrants. Beijing made no protest over those actions but ordered the officials in charge of the companies in question to stay in the U.S. and cooperate with the investigations.

The question of transshipment of textiles was tightly knit into the U.S.-China balance of trade issue. Calculating trade statistics was particularly complicated, as much of the trade was conducted through Hong Kong. The U.S. considered Chinese goods shipped through Hong Kong, even though value was added there, to be Chinese exports, but it counted American goods transhipped through Hong Kong to China as exported to Hong Kong. China, in contrast, included most American goods shipped through Hong Kong as imports from the United States, but was considering Chinese goods shipped through Hong Kong to the U.S. as exports to Hong Kong.

The discrepancies were indeed astonishing, but a close look revealed several common features. First, the statistics of both sides showed that the bilateral trade had increased rapidly in the years 1987-91, the Chinese figures showed an increase from \$7.8 billion to \$14.2 billion, a net increase of 82%, and the U.S. statistics registering a growth from \$10.4 billion to \$25.3 billion, a net increase of 143%. Second, the exports of each country to the other kept increasing, with the exception of U.S. exports in 1990—largely due to U.S. sanctions were blocking several categories of sales to China immediately after Tiananmen. And third, the U.S. statistics on exports to China compared with China's figures on imports from the U.S., taking account of the difference between Free on Board (FOB) and Cost, Insurance and Freight (CIF) prices, were fairly close. The major discrepancies were in China's exports to the United States. These statistics might be looked at in other ways. First, both the Chinese and U.S. statistics on exports excluded, in their respective calculations, the entrepot volume through Hong Kong. There was a relatively steady trend of growth in the exports of both; moreover, the figures were fairly close, becoming almost

identical in 1991. The fact that the gap tended to close in the last three years prior to 1991 suggested that direct bilateral trade, excluding the entrepot volume, was close to a rough balance in the period. But as to imports, both the U.S. and China added the goods originating from others via Hong Kong in their calculations. The differences resulting from this comparison indicated the volume of the entrepot trade and revealed the size and the nature of the problem. These large discrepancies demonstrated the significance of Hong Kong entrepot transshipments in U.S.-PRC bilateral trade. They showed that Chinese products-including Taiwan and Hong Kong products of which mainland Chinese labour contributed only partially to manufacturing or packaging- indeed entered the U.S. market in an unprecedented volume at an unprecedented rate of growth while U.S. products entering China fell far short of matching that rate and volume.

In light of these gaps, China could hardly expect the U.S. to keep its market open without the Chinese recognising and addressing the problem of trade imbalances and related U.S. concerns. Specifically, Washington raised the issue of the U.S. deficit in the bilateral trade to advance the four goals sought in Section 301 of the U.S. Trade Act, namely, transparency of China's trade-related laws and regulations, reduction of tariffs and elimination of all quantitative barriers, dismantling of the import licensing system, and removal of technical barriers such as unfair or unnecessary testing and standards requirements. In short, China had to open its domestic market wider, make it freer for trade, and buy more American goods.

President Bush's "constructive engagement"⁶⁴ was aimed at engaging the Chinese in the integration of the international market system while making Beijing abide by the system's rules and norms. And Beijing, under U.S. pressure, had made some positive responses to concerns over trade imbalances and China's market barriers. In 1990 China sent its first large purchasing delegation to the United States, and others followed in 1991 and 1992. Since 1991, China had abolished all its explicit export subsidies and on November 30 of that year it announced a big change in its regulations on foreign currency exchange. The

⁶⁴ Yangmin Wang (1993), "The Politics of U.S.-China Economic Relations: MFN, Constructive Engagement, and the Trade Issue Proper", *Asian Survey*, 33(5), May, 1993, University of California Press pp. 441-462s.

official exchange rate was tied closely to the international market, particularly the U.S. dollar; foreign businesses in China could go to Foreign Currency Swap Centres to exchange Chinese currency for hard currencies, as well as to banks to exchange their currencies at state-set rates. Though the PRC's currency did not become completely convertible, the access of both Chinese citizens and foreign business to currency exchange was broadened.

Also in late 1991, Beijing substantially lowered tariffs on 225 imports, including raw materials, agrichemicals, machinery and equipment, foodstuffs, and consumer goods. The government also removed the import license requirement for 16 products. Those measures were clearly aimed at further reforms in China's foreign trade system, and were steps toward reducing China's tariffs to the levels required by GATT for a developing country. Six months later, in June 1992, China took a further step by opening its burgeoning service industry to foreign investment and operation, including the once "forbidden areas" of banking and finance, insurance, foreign trade, and commercial retail sales in major Chinese cities.

However, the U.S. was dissatisfied, and before officially endorsing China's membership in GATT, the Bush administration wanted the Chinese market opened wider, particularly to American products. After extending MFN status once again in June 1992, the U.S. engaged the Chinese in new rounds of negotiations on market entrance. In an election year, when "jobs" and the "economy" were the catchwords, the administration conspicuously upgraded its efforts to broaden access of American goods to the fast-growing Asian markets to ensure that Japan did not achieve commercial domination in Asia. The Chinese market figured prominently in this concern. The Bush administration demanded that China had to bring down barriers to U.S. imports, and the USTR specifically charged China with having an extensive web of restrictions to keep American products out. It cited an internal document issued by MOFERT that instructed Chinese enterprises and local governments to purchase telephone-switching equipment only from three foreign manufacturers, none of them American.⁶⁵

⁶⁵ "China Will Lower Barriers to Trade in Accord," *New York Times*, 10 October, 1992, p.A 25

Facing Chinese resistance, the USTR assumed a tough stance for final negotiations. On August 21, 1992, it threatened to impose punitive tariffs of up to 100% on \$3.9 billions worth of Chinese goods if no agreement was reached by October 10. Such tariffs would have doubled the price of numerous Chinese goods in the American market, and in response, China threatened to retaliate with specific countermeasures: placing steep duties on an equal amount (i.e., \$3.9 billions worth) of American exports to China including grain, aircraft, fertilizer, and automobiles. These measures, if carried out by both sides, would have hurt China much more than the U.S. because China needed American high-tech goods and other industrial equipment more than the U.S. needed the largely labour-intensive products from China. Moreover, the U.S. could find substitutes for imports from China much more easily than China could find alternatives to American direct investment and products.

This apparent asymmetry in stakes and costs, however, would become less significant in terms of shock-absorption because the Chinese government was still the major, albeit no longer the sole purchaser of American goods, while the burden of U.S. punitive tariffs against Chinese exports were mostly borne by American businesses and consumers. The Chinese leadership, if cornered, could have choose to confront the United States and let the entire nation bear whatever the costs, but the Bush administration found it much more difficult, especially in an election year, to impose negative economic consequences upon influential American interest groups and substantial segments of the public. Based on recognition of such realities, MOFERT Vice-Minister Dong Zhiguang publicly stated two major points before he left for Washington to participate in 11th-hour negotiations on September 29, 1992. One was that China was well prepared for the negotiations to fail and for the consequences to follow, and the other was that he saw no reason why the U.S. would want to start a trade war with China.⁶⁶

The result was almost identical with the previous MoU negotiation over convict-labour products. On October 9, one day before the deadline set by the USTR, both sides reached an agreement "in principle" under which China promised to bring its trade practices in line

⁶⁶ Richard K Betts (1993-94), "Wealth, Power, and Instability: East Asia and the United States after the Cold War", *International Security*, 18(3), Winter: 34-77, URL: <http://www.jstor.org/stable/2539205>.

with "international standards" and brought down barriers to American imports. The USTR, expressing satisfaction, terminated the 301 investigation of China and officially pledged to support China's request for membership in GATT. To meet the GATT requirements, China announced its most significant tariff adjustment: a unilateral reduction of tariffs on 3,371 categorical items of import goods, reducing China's total tariff by 7.3%. It also eliminated the adjustment duty on all imports, abolished more than 100 internal regulations on foreign trade, and publicised a score of internal-reference-only documents on foreign trade and economic relations. Beijing also declared that it would remove more than two-thirds of the current import-license requirements by the end of 1994.⁶⁷

The Bush Administration also made positive moves toward China. Ten days after the presidential election, the USTR stated that the Republican Party was committed to continuing its support for granting MFN treatment to China and to promoting U.S.-China bilateral relations. In late December 1992, outgoing Commerce Secretary Barbara Franklin led a huge delegation to China that included high-ranking officials and senior executives of major American corporations. The mission produced hundreds-of-millions of dollars worth of deals involving China's purchase of American telecommunication equipment and commercial aircraft. Both the USTR's public statement and the Franklin trip suggested that Bush's "constructive engagement" with China would not be easily abandoned by the new administration. As a presidential candidate, Bill Clinton challenged Bush's China policy and supported the attachment of conditions to China's MFN status. But President-elect Clinton soon modified his position, clearly stating at the Little Rock economic conference that he did not think China's MFN status would be revoked if the past policy continued to make progress.⁶⁸

⁶⁷ Shirley A. Kan, (1993), "Clinton's China syndrome", *Far Eastern Economic Review*, Review Publishing Company Ltd: Hong Kong. URL:<http://www.faqs.org/abstracts/Business-international/Clintons-China-syndrome-Yankee-panky-Clinton-fiddles-while-China-issues-burn.html>

⁶⁸ Jack Godwin (2009), *Clintonomics: How Bill Clinton Reengineered the Reagan Revolution*, New York: American Management Association.

1.4: Conclusion

After the end of World War II, confrontation between U.S-China continued. In 1949 when the power shifted from Nationalist to Communist party in PRC, the US was not happy at all. Both the countries were involved directly or indirectly in several wars as well as in Taiwan straits. Main confrontation was going on between the US and USSR. So PRC had a minimal role to play. But several ambassadorial meetings took place between the US and China before the normalization of relations. Till 1969, PRC was also closer to USSR. But in 1969 border clash occurred between PRC and USSR. On the other hand, the US was also looking for an ally in Asia to counter the Soviet influence. So at this juncture the process of normalisation of relations started between U.S.-China. The process of normalisation started with the signing of 1972 Communiqué. This was followed by two more Communiqués in 1979 and 1982. Under the TRA 1979, the US promised Taiwan to protect it from any external aggression. Chinese leaders were disgusted over the TRA 1979, and it became the main cause of dispute between the two countries, affecting progress in other areas of the relationship from 1979 to 1982. The matter of Taiwan's arms purchase was supposedly resolved between Beijing and Washington by the August 1982 Sino-American communiqué. The United States agreed to reduce gradually the quantity and quality of its arms sales to Taiwan, and China agreed to make every effort for a peaceful resolution of the Taiwan issue. Besides the Taiwan issues there were several contentious political and economic issues to be dealt with. These issues included Human Rights, Tibet MFN status, IPR issues and many more.

For most of the first half of the 20th century, Washington was content to ignore Tibet. Geopolitical changes in the post-World War II era, starting with China's 1950 invasion of Tibet, served to move the Tibet issue gradually forward to the prominent place in the U.S. foreign policy. The US Congress accused the Chinese government of violating the Tibetans' human rights, and criticized the population transfer of Han Chinese into Tibet that Beijing advanced since 1987. The legislature passed a number of bills and resolutions whose content had been aimed at pressuring successive U.S. presidents to push Beijing to change its stance on and behaviour in Tibet. This pressure had been partially successful, as the White House had accepted that the Tibet issue was an important factor in any considerations of

U.S. However, the official U.S. position that Tibet was a part of China remained unchanged. Presidents were unwilling to sacrifice good relations with Beijing to the cause of Tibetan independence because they believed that favourable ties with the PRC to be more important for American interests in Asia. The US-China relationship became more critical after the Tiananmen Square incident of 1989 as economic sanctions were imposed on the PRC. This incident was a gross violation of human rights and freedom of democracy. Significantly contentious political issues dominated the U.S.-China relations during Cold War.

The trade issues were also indeed the primary U.S. concerns, as the economic front became a more prominent battlefield in the post-Cold War era. The U.S. achieved remarkable progress on those specific issues through both economic sticks and carrots, continually engaging China on its opening and reform, and the Chinese government began taking actions to address a host of issues on the American concerns.

US-China Economic Relations under Clinton Administration

There were both positive growths of trade & investment as well as trade frictions like IPR, Dumping etc during Clinton Administration.

2.1: Introduction

In the post-Cold War era the rising importance of economic relation was clearly seen in the US foreign policy. Economic growth and open trade relations became principal goals and sanctions became effective instruments of US foreign policy. Likewise, regional and multilateral trade initiatives, formation of the World Trade Organisation (WTO) as a successor to the General Agreement on Tariffs and Trade (GATT) and other economic issues assumed greater prominence for the US policy makers. In 1992, 10 million Americans were unemployed, new job creation was slow, and wages were stagnant. Other nations' high trade barriers limited the ability of American businesspersons and farmers to sell their goods abroad and hampered economic recovery. It had huge resources but needed destinations where this could be invested. During this period China opened up her economy. The US realised the economic importance of China. But after Tiananmen Square incident in 1989, the US-China relations were at its low. Over this incident the U.S., along with the UN, imposed economic sanctions on China. The US President in accordance with the *Jackson-Vanik Amendment* by the approval of the Congress subjected to a list of requirements and conditions as specified by the US Trade Act of 1974 for the renewal of China's MFN status. President Clinton tied the annual review of MFN trading status to China's record on human rights. When this status came up for renewal next year, Clinton reversed this position and granted MFN status to China without requiring any changes regarding human rights. As a result, U.S.-China commercial relations expanded substantially. U.S.-China trade rose from \$40,301 million in 1993 to \$ 116,203 million in 2000 – the last year of the Clinton

Administration.¹

Since the beginning of its economic reforms in the late 1970s, China had one of the fastest-growing economies in the world. Between 1979 and 2000 real gross domestic product (GDP) increased by more than six-fold². Although per capita income remained low, huge population of China meant that, in aggregate terms it was already among the larger economies in the world, much larger for example than Russia or India, or even the two combined. During the same period, the growth of China's international trade was even more impressive, such that the country's share of world trade more than quintupled, to about four percent. No other country had ever increased its share of world trade so rapidly.

2.2: Major U.S.-China Trade Issues

One of the best attractions of China for Americans was its large market. China had 1.2 billion potential consumers. They were hard to ignore no matter how hard one tried. China was already America's fourth largest trading partner in 2000 and sixth largest export market (including Hong Kong). American exports to China between 1990 and 1998 grew at an annual rate of 15 percent³. Most of American businesspersons were hoping for increased exports to China as it continued to develop and entered the WTO⁴.

During the Democratic Convention in 1992 Presidential Candidate Bill Clinton promised to renew the MFN status to China with linkage to progress on Human Rights. In 1994, he

¹ Wayne M. Morrison (2001), "IB91121: China-U.S. Trade Issues", CRS Issue Brief for Congress April 13, [Online: web] Accessed: 21/09/2009 URL: <http://ncseonline.org/NLE/CRS/>

² Lardy, Nicholas R. (2001), "U.S.-China Economic Relations: Implications for U.S. Policy", [Online: web] Accessed: 1/11/2009 12:00pm URL: http://www.brookings.edu/testimony/2001/0425gloabaleconomics_lardy.a.spx.

³ Wayne M. Morrison (2001), "IB91121: China-U.S. Trade Issues", *CRS Issue Brief for Congress* April 13, [Online:web] Accessed: 21/09/2009 URL: <http://ncseonline.org/NLE/CRS/>

⁴ Charles Tien and James A. Nathan (2001), "Trends: American Ambivalence toward China", *The Public Opinion Quarterly*, 65(1) Spring: 124-138 Oxford University Press [Online: web]. Accessed: 11/05/2009 03:11 URL: <http://www.jstor.org/stable/3078790.pdf>.

broke that campaign promise, which was called Clintonian duplicity. He took Clintonian duplicity to the next level when, in 1999, he signed a Permanent Normal Trade Relation deal for "permanent" free trade with a politically unreformed China that was still led by the Chinese Communist Party. As president, Clinton softened his policy in recognition of increasing US economic involvement in China⁵.

While China's economic reforms and rapid economic growth were expanding U.S.-China commercial relations in those years, disputes had arisen over a wide variety of issues. These issues have been described as followed.

Violations of U.S. Intellectual Property Rights

American firms had been consistently complaining about global infringement of intellectual property rights. Most affected industries were computer software, high technology products, sound recordings, motion pictures, pharmaceuticals, agricultural chemicals and books. A study by the U.S. Chamber of Commerce estimated that IPR violations did cost the U.S. firms between \$200 billion and \$250 billion a year globally. A significant portion of that cost attributed to Chinese piracy. In order to protect IPR, China had established a nationwide IPR enforcement structure consisting of enforcing agencies and the police. Moreover, it had decided to establish joint ventures and, in some instances, wholly owned ventures⁶. The US not only had reservations on supporting China's admission to the WTO on the ground of poor track record on protecting IPR, but it also demanded greater transparency in trade practices in China. In reality, the Clinton Administration was using it as a leverage to obtain greater economic and political concessions from China⁷.

⁵ Shirley A. Kan (1993), "Clinton's China syndrome", *Far Eastern Economic Review*, Review Publishing Company Ltd: Hong Kong. (For more see URL:<http://www.faqs.org/abstracts/Business-international/Clintons-China-syndrom- Yankee-panky-Clinton-fiddles-while-China-issues-burn.html>).

⁶ Radha Sinha (2003), "Sino-American Relations: Mutual Paranoia", New York: Palgrave Macmillan.

⁷ PM Kamath. (1993), "The US-India Relations since the end of Cold War: A factor in Reshaping US-China Relations", *Strategic Analysis* 16(1), April: 93-104.

Section 182 of the Trade Act of 1974 as amended (also known as "Special 301") required the USTR to identify priority foreign countries that failed to provide adequate and effective protection of the US IPR.⁸ These included patents, copyrights, trademarks, and trade secrets, or denied fair and equitable market access to U.S. firms that relied on IPR protection. The USTR was directed to seek negotiations with the priority foreign countries to end such violations and, if necessary, to impose trade sanctions if such negotiations failed to produce an agreement.

In April 1991, China was named as a "priority foreign country" under Special 301.⁹ The USTR began a Section 301 investigation in May 1991, claiming China's laws failed to provide adequate protection of patents, copyrights, and trade secrets. In November 1991, the USTR threatened to impose \$1.5 billion trade sanctions if an IPR agreement was not reached by January 1992. Last-minute negotiations yielded an agreement on January 16, 1992. China promised to strengthen its patent, copyright, and trade secret laws, and to improve protection of U.S. intellectual property, especially computer software, sound recordings, chemicals, and pharmaceuticals.

In June 1994, the USTR again designated China as a Special 301 "priority foreign country," because it had failed to enforce recently enacted IPR laws. In particular, the USTR cited the establishment of several factories in China producing pirated compact and laser disks, as an example of China's "egregious" violation of U.S. IPR. In addition, the USTR stated that trade barriers had restricted access to China's market for U.S. movies, videos, and sound recordings, and that such restrictions encouraged piracy of such products in China. On February 4, 1995, the USTR announced that insufficient progress had been made in talks with Chinese officials and issued a list of Chinese products, with an estimated value of \$1.1 billion, which would be subject to 100% import tariffs. However, a preliminary agreement was reached on February 26, 1995, and a formal agreement was signed on March 11, 1995. The new agreement pledged China to

⁸ Yangmin Wang (1993), "The Politics of U.S.-China Economic Relations: MFN, Constructive Engagement, and the Trade Issue Proper", *Asian Survey*, 33(5), May: 441-462

⁹ Ibid

substantially strengthen its IPR enforcement regime and to remove various import and investment barriers to IPR-related products. Specifically, China agreed to:

- Take immediate steps to stem IPR piracy in China over the course of the next three months by taking action against large-scale producers and distributors of pirated materials, and prohibiting the export of pirated products.
- Establish mechanisms to ensure long-term enforcement of IPR laws, such as banning the use of pirated materials by the Chinese government and establishing a coordinated IPR enforcement policy among each level of government.
- Provide greater market access to U.S. products by removing import quotas on U.S. audio visual products, allowing U.S. record companies to market their entire works in China (subject to Chinese censorship concerns), and allowing U.S. intellectual property-related industries to enter into joint production arrangements with Chinese firms in certain cities.

Several U.S. firms charged that IPR piracy in China worsened in 1995, despite the 1995 IPR agreement, and pressed the USTR to take tougher action against China. The International Intellectual Property Alliance (IIPA), an association of major U.S. copyright-based industries, estimated that IPR piracy by Chinese firms cost U.S. firms \$2.3 billion loss in trade during 1995.¹⁰

On April 30, 1996, the USTR again designated China as a Special 301 "priority foreign country" for not fully complying with the February 1995 IPR agreement. According to the USTR, while China had cracked down on piracy at the retail level by launching raids and destroying millions of pirated CDs and hundreds of thousands of pirated books, sound recordings, and computer software, it had failed to take effective action against an

¹⁰ Wayne M. Morrison (2001), "IB91121: China-U.S. Trade Issues", *CRS Issue Brief for Congress* April 13, Foreign Affairs, Defense, and Trade Division, [Online: web] Accessed: 21/09/2009 URL:<http://ncseonline.org/NLE/CRS/>

estimated 30 or so factories in China that were mass-producing and exporting pirated products. U.S. officials called on the Chinese government to close such factories, prosecute violators, and destroy equipment used in the production of pirated products. Further, the USTR stated that China failed to establish an effective border enforcement mechanism within its customs service to prevent the export of pirated products. Finally, the USTR indicated that China failed to provide sufficient market access to U.S. firms, due to high tariffs, quotas, and regulatory restrictions. Shortly after, the USTR indicated it would impose sanctions of \$2 billion on Chinese products by June 17, 1996, unless China took more effective action to fully implement the IPR agreement. On June 17, 1996, USTR Charlene Barshefsky announced that the United States was satisfied that¹¹ China was taking steps to fulfil the 1995 IPR agreement. Barshefsky cited the Chinese government's recent closing of 15 plants producing illegal CDs and China's pledge to extend a period of focused enforcement of anti-piracy regulations against regions of particularly rampant piracy, such as Guangdong Province. The Chinese government also promised to improve border enforcement to halt exports of pirated products as well as illegal import of machinery used to manufacture CDs. Further, the Chinese government reaffirmed its pledge to open up its market to imports of IPR-related products. Finally, Chinese officials promised to improve monitoring and verification efforts to ensure that products made by Chinese CD plants and publishing houses are properly licensed.

The USTR stated that China had made great strides in improving its IPR protection regime, noting that it had passed several new IPR-related laws, closed or fined 74 assembly operations for illegal production lines, seized millions of illegal audio-visual products, curtailed exports of pirated products, expanded training of judges and law enforcement officials on IPR protection, and had expanded legitimate licensing of film and music production in China. In April 1999, the USTR announced that the Chinese government had issued a new high-level directive to all Chinese government entities directing that they use only legitimate computer software, a move described by the USTR as a "milestone in China's efforts to increase intellectual property protection."¹²

¹¹ Ibid

¹² Ibid

The USTR however noted that IPR violations remained a serious problem in China. These were especially illegal reproduction of software, retail piracy, and trademark counterfeiting. Chinese enforcement agencies and judicial system often lacked the resources needed to vigorously enforce IPR laws. Convicted IPR offenders generally faced minor penalties. In addition, while market access for IPR-related products improved, high tariffs, quotas, and other barriers continued to hamper U.S. exports. Such trade barriers were believed to be partly responsible for illegal IPR-related smuggling and counterfeiting in China. The IIPA estimated that piracy in China cost U.S. firms \$1.7 billion loss in sales in 1999-an improvement over 1998 losses which were estimated at \$2.6 billion.

Major Chinese Trade Barriers

For many U.S. firms, China remained a difficult market to penetrate. This was largely due to Chinese government policies, which attempted to protect and promote domestic industries. Chinese trade policies generally attempted to encourage imports of products which were deemed beneficial to China's economic development and growth. These included high technology, as well as machinery and raw materials used in the manufacture of products for export. In many cases, preferential trade policies were used to encourage these priority imports. Goods and services not considered being high priority, or which competed directly with domestic Chinese firms, often faced an extensive array of tariff and non-tariff barriers. Such policies made it difficult to export products directly to China. As a result, many U.S. firms had established production facilities in China to gain access to the Chinese market. However, foreign-invested firms in China faced a wide variety of barriers as well. The U.S. government officials maintained that China's restrictive trade and investment policies were leading cause of the surging U.S.-China trade imbalance. Major Chinese barriers of concern included:

- *High tariffs.* The average Chinese tariff rate in 2000 was 17% (down from an average rate of 42% in 1996), but tariffs on selected items, such as autos and various agricultural products, were raised to 100% or more.

- *Pervasive non-tariff barriers* were arbitrarily used to control the level of certain imports into China. These included quotas, import licenses, registration and certification requirements, and restrictive technical and sanitary standards.
- *Non-transparent trade rules and regulations.* China's trade laws and regulations were often secretly formulated, unpublished, unevenly enforced, and varied across provinces. This made it difficult for exporters to determine what rules and regulations applied to their products. In addition, foreign firms found it difficult to gain access to government trade rule-making agencies to appeal for new trade rules and regulations.
- *Trading rights.* China restricted the number and types of entities that were allowed to import products into it. This limited the ability of both Chinese and foreign firms in China to obtain imported products. Foreign companies were not permitted to directly engage in trade in China. In addition, trading rights for many agricultural products were given exclusively to Chinese state trading companies. They were also directed to import only if there was a domestic shortfall of those products.
- *Distribution rights.* Most foreign companies were prohibited from selling their products directly to Chinese consumers.
- *Investment restrictions.* Chinese officials pressurised foreign investors to agree to contract provisions which stipulated technology transfers, exporting a certain share of production, and commitments on local contents. Other problems faced by foreign firms in China included the denial of national treatment, foreign exchange controls, distribution and marketing restrictions, and the lack of rule of law.¹³

¹³Ibid

Prison Labour Exports

Some analysts charged that the use of forced labour was widespread and a long-standing practice in China and that such labour was used to produce exports, a large portion of which were targeted to the United States. The importation from any country of commodities produced through the use of forced labour was prohibited by U.S. law, although obtaining proof of actual violations for specific imported products was often extremely difficult.

2.3: China and the World Trade Organization

Negotiations for China's accession to the General Agreement on Tariffs and Trade (GATT), and now WTO (the successor organization to the GATT), had gone for more than 15 years. Chinese leaders were saying that gaining entry into the World Trade Organization (WTO) was a major Chinese priority. They believed that WTO membership would enable China to gain full non-discriminatory treatment in its trade relations with WTO members (especially the United States) and provide it access to the multilateral trade disputes resolution process. Supporters of China's WTO membership argued that it would bring China's trade regime in line with other WTO members and would result in a significant reduction of Chinese trade barriers. Negotiations on China's WTO membership were being held on two fronts: multilateral negotiations in a Working Party composed of all interested WTO members and bilateral negotiations between China and individual WTO member countries.

So before discussing China's WTO accession, it is now necessary to discuss the MFN, NTR and PNTR issues. These were different phases and conditionality through which China's WTO accession process was progressed.

MFN and NTR status

The Jackson-Vanik amendment 1974¹⁴, the overall waiver authority and China's waiver, had been extended annually by Presidential action. This waiver had been extended not without congressional attempts at disapproving such extension. The extension and disapproval procedure depended on:

(1) A President's recommendation, made by June 3 of any year, for the waiver authority and individual waivers to be extended for another year. The extension was automatic unless;

(2) It was disapproved by the enactment of a joint resolution.

In the pre-1993 years, the Congress had often attempted to terminate or restrict China's MFN status by means of:

- Joint resolutions disapproving the annual extension of China's waiver or
- By specific legislation, or
- Subjected its continuation in force to additional conditions, primarily in the area of human rights.

But none of those measures became law. A special situation arose in mid-1993. The President extended China's waiver for another year. At the same time by Executive Order 12850,¹⁵ also set specific additional conditions for the mid-1994 extension of China's waiver and MFN status. These conditions were:

- Mandatory compliance with the 1992 U.S.-China prison labor agreement,

¹⁴ Council on Foreign Relations (1975), "Jackson- Vanik Amendment", 3 January 1975, [Online: web] Accessed 12/07/2010 URL: http://www.cfr.org/publication/18844/jacksonvanik_amendment.html.

¹⁵ Vladimir N. Pregelj (1996), "92084: Most-Favored-Nation Status of the People's Republic of China", in CRS issue Brief, Economic Division, [Online: web] Accessed 12/07/2010 URL: <http://www.fas.org/man/crs/92-094.htm>.

- Significant progress with respect to China's adherence to the Universal Declaration of Human Rights,
- Releasing and accounting for Chinese citizens imprisoned or detained for the nonviolent expression of political and religious beliefs,
- Ensuring humane treatment of prisoners by allowing access to prisons by international humanitarian and human rights organizations,
- Protecting Tibet's religious and cultural heritage, and
- Permitting international radio and TV broadcasts into China.

The linking of China's MFN status to overall human rights was abandoned in mid-1994. In 1994 President Clinton renewed the China waiver only on the basis of its statutory condition namely, compliance with the freedom-of-emigration requirement of the Jackson-Vanik amendment. Legislative measures to disapprove the renewal or subject it again to broad human rights conditions failed.

On May 23, 1995, the Trade Subcommittee of the House Ways and Means Committee, anticipating the 1995 Presidential extension of the waiver, held a hearing on the U.S.-China trade relations and renewal of China's MFN status. The extension itself without additional conditions, took place on June 2, 1995, by Presidential Determination. On May 31, 1996, President Clinton issued his determination to extend China's waiver and MFN status for another year. On June 21, 1996, he issued a determination renewing the trade agreement with China for another 3-year term through January 31, 1998. On June 27, 1996, the House failed to pass H. J. Res. 182, which would have disapproved the extension of China's waiver and MFN status.¹⁶ This allowed both China's waiver status and MFN status to remain in force.

In July 1998, President Clinton signed the *1998 Reform Act* of the U.S. Internal Revenue Agency. According to this Act, the term MFN was changed to Normal Trade Relations (NTR). In June 3, 1999, President Clinton announced the extension of China's NTR for another year. On July 27, the U.S. House of Representatives voted down a bill removing

¹⁶ The Library of Congress (1996), Bill Summary and Status 104th Congress (1995-1996): H.J. RES .182 [Online: web], Accessed 19/07/2010 URL: [http://thomas.loc.gov/cgi-bin/bdquery/z?d104:H.J.Res.182:](http://thomas.loc.gov/cgi-bin/bdquery/z?d104:H.J.Res.182)

China's NTR status by 260 to 170. On July 28, Zhu Bangzao, spokesman of the Chinese Ministry of Foreign Affairs, said in his comments that:

[I]t was wise for the U.S. House of Representatives to vote down the so-called bill of cancelling China's NTR and that the U.S. side would go along with the trend of the time and solve the issue of China's permanent NTR at an early date so as to create favourable conditions for the sustained development of China-U.S. economic and trade relations.¹⁷

Progress in U.S.-China WTO Talks

Till now MFN and NTR Status to China have been discussed. Now it is important to discuss the progress in U.S. China WTO talks and during and after 1999. China and the United States reportedly made significant progress towards resolving major differences in their bilateral WTO negotiations during Chinese Premier Zhu Rongji's meeting with President Clinton on April 8, 1999. According to U.S. officials, China offered to cut tariffs significantly and remove non-tariff barriers on U.S. trade in agriculture, industrial goods, and services, and to eliminate various restrictions on foreign investment, trading rights, and distribution for U.S. firms in China. Separately, China agreed to eliminate unjustified sanitary and phytosanitary¹⁸ (SPS) bans on wheat, citrus, and beef immediately.

On April 13, 1999, the two sides agreed to intensify negotiations towards reaching a final agreement. However, following the accidental NATO bombing of the Chinese embassy in Belgrade on May 8, China-U.S. bilateral talks on China's accession to the WTO was suspended. The U.S. side repeatedly asked to resume the talks. To that end, President Clinton wrote to President Jiang expressing the hope to continue the WTO talks. President Jiang agreed in his return letter. Before the APEC meeting in Auckland, New Zealand, the two countries resumed contacts on the issue of China's accession to the

¹⁷ (For more see **30 years of china-us relations 1979-2009:Sino-U.S. relations in Retrospect URL: <http://en.showchina.org/Features/sinous/08/200901/t253221.htm>,**)

¹⁸ The inspection intended to prevent the spread and the introduction across national boundaries of pests of plants and plant products. (For more see URL: <http://www.mijnwoordenboek.nl/definition>.)

WTO. On September 11, President Jiang Zemin and President Clinton met in the APEC Leaders Informal Meeting in Auckland and exchanged views on China's accession to the WTO. Shi Guangsheng, Chinese Minister of Foreign Trade and Economic Cooperation (MOFTEC) and U.S. Trade Representative Charlene Barshefsky held talks on the WTO issue during the APEC meeting.

The U.S.-China WTO Agreement

On November 15, 1999, U.S. and Chinese officials announced that a bilateral agreement relating to China's WTO bid was reached. The Clinton Administration released the full text of the agreement on March 14, 2000. Under the agreement, China promised that after gaining WTO membership it would take the following steps, some on accession and others over specified phase-in periods:

- Provide full trading and distribution rights including the ability to provide services auxiliary to distribution for U.S. firms in China.
- Cut average tariffs on U.S. priority agriculture products like beef, grapes, wine, cheese, poultry, and pork from 31.5% to 14.5% by 2004. Overall industrial tariffs would fall from an average of 24.6% to 9.4% by 2005 (tariffs on U.S. "priority products," such as wood, paper, chemicals, and capital and medical equipment, would fall even further). Tariffs on information technology products, such as computers, semiconductors, and telecommunications equipment, would be cut from an average level of 13.3% to zero by 2005.
- Establish a tariff-rate quota system for import of agricultural bulk commodities such as wheat, corn, cotton, barley, and rice, i.e., import up to a specified quota level would be assessed a low tariff (1%-3%), while imports above a certain level would be assessed a much higher tariff rate. Private trade in agricultural products would be permitted for the first time.

- Phase out quotas and other quantitative restrictions, some upon accession, many within two years, and most within five years. Quota levels for many products would expand by 15% each year until the elimination of the quota.
- Eliminate unscientifically based SPS restrictions on agricultural products and end export subsidies.
- Reduce restrictions on auto trade. Tariffs on autos would fall from 80%-100% to 25% by 2006. Auto quotas would be eliminated by 2005. U.S. financial firms would be allowed to provide financing for the purchase of cars in China.
- Provide fair treatment for foreign firms operating in China by removing government rules requiring technology transfer, local content, and export performance conditions.
- Provide that Chinese state-owned firms make purchases and sales based on commercial considerations and give U.S. firms the opportunity to compete for sales on a non-discriminatory basis.
- Accept the use by the United States of certain safeguard, countervailing, and antidumping provisions over transition periods to respond to possible surges in U.S. imports from China of various products, such as textiles, that might cause or threaten to cause market disruption to a U.S. industry.

The conclusion of the U.S.-China bilateral agreement on WTO was an important step in China's bid to WTO. This was due to the important role played by the United States in the WTO, and since Chinese officials in the past complained that the United States' position on China's WTO accession was the main obstacle to China's admission. However, China also needed to conclude bilateral agreements with Mexico and complete talks with the WTO Working Party over the nature of its trade regime, before a final vote could be taken in the WTO on China's accession.

The WTO Working Party handling China's WTO accession last met during January 10-17, 2001. Although some progress was made, several issues remained unresolved; particularly China's use of agricultural subsidies after it joins the WTO. China had insisted to be treated itself as a developing country with regards to agricultural trade. This would enable it to reduce domestic subsidies over a longer period of time, and to maintain higher levels of domestic supports than were required of developed countries. The United States and other WTO members had resisted China's efforts to maintain a high level of agricultural subsidies after WTO accession. This was due to the concern that it could offset the potentially large benefits to agricultural exporters from the concessions on tariff and non-tariff barriers which China had committed to in its bilateral WTO agreements with the United States and other WTO members. In an article on *Inside U.S. Trade*¹⁹, on world trade online website it was stated that China and the United States had reached a preliminary agreement on the issue: China would be allowed to claim developing country status for its agriculture in the WTO, but the level of trade-distorting subsidies allowed would be below that enjoyed by current developing country WTO members.²⁰

Implications of China's accession to WTO for U.S. Policy

Given the United State's long-term trade and investment interests and the linkage between economic and political change that had been demonstrated in other countries in East Asia, the implications for U.S. economic policy toward China can be examined as follows. First, the perception in China that the United States seeks to delay or even block China's emergence as a major economic power might be abandoned. That means the new administration should drop the more than a decade old sanctions that remain in place as a legacy from the Tiananmen crisis of 1989. These included, inter alia, the requirement that the U.S. director on the Executive Board of the World Bank vote against or abstain from all China loans that were not strictly for basic human needed and the selective

¹⁹ (For more see <http://www.insidetrade.com/>)

²⁰ (For more see http://www.wto.org/english/thewto_e/countries_e/china_e.htm)

withholding of Export-Import Bank loans and credit guarantees for non economic or non security reasons.²¹

Second, the United States ought not to remain the only advanced industrial country that has no systematic technical assistance program to help the Chinese government meet its WTO obligations. Japan, Australia, Canada, and the European Union, as well as many other member countries, provide assistance ranging from training government officials to providing WTO-related legal assistance.

Third, the United States was to be very judicious in applying the highly protectionist features that they insisted China agree to as a condition for WTO membership. For example, under the product-specific safeguard included in the bilateral agreement of November 1999, the United States would have the option of imposing unilateral restrictions on imports from China under conditions that no other member of the WTO had ever been required to accept. Moreover, these conditions were relatively easy to meet and restrictions based on them could be directed solely against imports from China. Under normal WTO safeguard arrangements, if conditions for their use were met, restrictions might be imposed proportionately on all supplying countries. Since the product-specific safeguard conflicts with the most fundamental WTO principle of equal treatment for all countries, the United States was only to invoke this instrument against China under extraordinary circumstances. Similarly, China had agreed to be subjected to a special textile safeguard that allows the United States to impose unilateral restrictions on the import of Chinese textiles and apparel for a period of four years after the prevailing quota system was phased out

U.S. trade officials had played a central role in China's WTO accession process. They had insisted that China's entry into the WTO must be based on commercially meaningful terms that would require China to significantly reduce trade and investment barriers

²¹ Nicholas R. Lardy (2001), "U.S.-China Economic Relations: Implications for U.S. Policy", *Trade, China, Global Economics, Asia, Foreign Policy* [Online: web] Accessed on 1/11/2009 ,12.pm URL: http://www.brookings.edu/testimony/2001/0425globaleconomics_lardy.aspx.

within a relatively short period of time. For many U.S. firms, China remained a difficult market to penetrate, mainly due to Chinese government policies designed to protect and promote domestic industries. These policies attempt to encourage imports of products that are deemed beneficial to China's economic development, such as high technology, and machinery and raw materials used by export-oriented industries. Goods and services not considered to be of high priority, or which compete directly with domestic Chinese firms, often face an extensive array of trade barriers. Such barriers often force foreign firms to invest in China in order to gain market access, although they face a variety of restrictions in doing so as well. U.S. officials blame such policies for the surging U.S. trade deficit with China, which hit an estimate \$85 billion in 2000.

Many U.S. trade analysts viewed China's WTO accession process as an opportunity for gaining substantially greater access to China's markets. China had been one of the world's fastest growing economies over the past several years. Many trade analysts argued that China could become a potentially large market for a wide variety of U.S. goods and services, provided that greater market access was afforded. China's WTO accession required it to lower its trade barriers, afford "national treatment" to foreign firms, make its trade laws more transparent, and subject its trade regime to be reviewed by the WTO dispute resolution process. Other observers contended that WTO membership was to advance the cause of human rights in China by enhancing the rule of law there for business activities, diminishing the central government's control over the economy, and promoting the expansion of the private sector in China. Finally, China's WTO accession was likely to result in Taiwan's accession as China had insisted that Taiwan could gain membership to the WTO only after China enters.

The Permanent Normal Trade Relations (PNTR) Status

To support China's WTO accession, the United States had to commit itself to nondiscriminatory treatment by agreeing to make China's MFN status permanent by granting PNTR and thereby giving up the right to annual reviews. During its negotiations with China over the terms of its WTO accession, the Clinton Administration pledged that, in return for significant market opening commitments on the part of China, it would press

the Congress to enact PNTR legislation. Once a satisfactory bilateral agreement was reached with China in November 1999, the Clinton Administration began to push for PNTR legislation. Many analysts had warned that passage of such legislation, especially during an election year, might prove extremely difficult.

The Clinton Administration and its supporters argued that China would get into the WTO with or without congressional approval of PNTR status for China, and that failure to pass such legislation would prevent the United States and China from having an official trade relationship in the WTO. As a result, it was contended, U.S. firms would be excluded from the trade concessions made by China to gain entry into the WTO, while U.S. competitors in the WTO would be able to take full advantage of new business opportunities in China, and the United States would be unable to use the WTO dispute resolution process to resolve trade disputes with China. The Clinton Administration further maintained that China's accession to the WTO would promote U.S. economic and strategic interests, namely by inducing China to deepen market reforms, promote the rule of law, and reduce the government's role in the economy and further integrate China into the world economy, making it a more reliable and stable partner. Finally, the Administration contended that congressional rejection of PNTR would be viewed by the Chinese as an attempt to isolate China economically; such a move would seriously damage U.S.-China commercial relations and undermine the political position of economic reformers in China.

After the bilateral agreement on China's accession to the WTO on November 15, 1999, the U.S. Government promised to make all efforts to press to solve the issue of China Permanent Normal Trade Status. On January 10, 2000, U.S. President Bill Clinton announced the establishment of a team consisting of his cabinet members and headed by Secretary of Commerce William Daley and White House Deputy Chief of Staff Steve Ricchetti to coordinate with the Congress and urge the Congress to support the U.S.-China WTO agreement. Thereafter in the State of the Union Address and on many other important occasions, President Clinton urged both Republicans and Democrats in the Congress to support the agreement and grant the China PNTR. On March 8, the Clinton Administration submitted a bill on granting China PNTR.

Despite these arguments and strong lobbying by various U.S. business interests, passage of China PNTR was highly uncertain when Congress began consideration of legislation in May 2000. Many Members raised concerns over the effects China's WTO membership would have on U.S. import sensitive industries, while others expressed reservations over giving up what they perceived as leverage over China's human rights policies. On May 24, 2000 the U.S. House of Representatives passed a bill granting China PNTR by a favourable majority of 237 votes against 197 votes. On September 19, the U.S. Senate passed the same bill with 83 for, 15 against, and 2 abstentions. On October 10, President Clinton signed the bill into law.²² The bill would:

- establish a special Congressional-Executive commission to monitor, and report on, various aspects of China's policies on human rights, including labor practices and religious freedom;
- require the USTR to issue a report annually assessing China's compliance with its WTO trade obligations;
- codify the anti-surge mechanism established under the November 1999 U.S.-China trade agreement and establishes procedures for obtaining relief from import surges;
- expand funding for various U.S. government agencies to monitor and seek enforcement of China's compliance with its WTO trade commitments;
- set up a special government task force to halt U.S. imports from China of products suspected of using prison labor; and
- provide funding for programs to promote the development of the rule of law in China.

²² (For more see "Bill Clinton –A Political man," *Forum för talare - talarna har ordet*, pp.1-7 URL: <http://www.talarforum.se/article/newsletter/9/april2001.pdf>)

The passage of the bill marked the death of the twenty-year- long practice of examination and debate on granting China the MFN status on the U.S. side. This removed the long-existing obstacle to the development of China-U.S. trade relations, and was of major significance for the sustained, healthy and smooth development of the bilateral economic cooperation as well as the overall China-U.S. relationship. With regard to some contents of the Act that interfere with China's internal affairs and are harmful to China's national interest, the Chinese side made serious representations to the U.S. side, and explicitly made clear its position of firm opposition.

China's WTO Accession

On December 11, 2001, China became a member of the WTO. Many say the 1999 US-China bilateral trade agreement and the vote in Congress to permanently establish normal trade relations with China paved the way for China's WTO accession. To support China's WTO accession, the United States had to commit itself to non-discriminatory treatment by agreeing to make China's MFN status permanent, by granting PNTR and thereby giving up the right to annual reviews²³.

China's entry into the WTO would seem to normalize relations with the U.S., however, China's compliance with the WTO's rules and regulations was questionable²⁴. During 1990-2000 U.S. exports to China had only been 2% of Chinese imports. Chinese entry into the WTO was not likely to change that figure in the near future. In a totalitarian nation such as China domestic products to be used in manufacturing were preferred over imports. Therefore many foreign companies, to their disadvantage, found themselves having to offer contracts containing provisions requiring them to use Chinese products in their manufacturing. This might have caused foreign companies to pay more than they might have desired to get manufacturing materials elsewhere. Lastly, although the U.S.

²³ Charan Devereaux et al (2006) Case Studies on US Trade Negotiations: Making the Rules, v. 1, September, The Peterson Institute for International Economics. [Online: web] Accessed 9 February 2010 URL: www.petersoninstitute.org

²⁴Paul Magnusson and Howard Gleckman (2000), "Will China Follow WTO Rules? Beijing's Track Record is not Pretty," *Business Week*, June 5, pp 42-46.

and the other 152 members of the WTO would be able to take China before the WTO dispute settlement panels, it could take years to settle such disputes and governments often chose not to follow the rules. It was noted that during this period China often ignored human rights rules and regulations showing that they may do the same with WTO rules and regulations.

The continued expansion of US exports to China depended on the continued growth of Chinese economy. The real significance of the WTO accession lied not in the short-term benefits that might accrue to corporations in specific sectors but in the restructuring of China's economy as a whole over the coming years.

2.4: China's Trade with the US

U.S.-China trade rose rapidly during the Clinton Administration. Total exports to China rose from \$ 8,762 million in 1993 to \$ 16,185 million in 2000 (Table 1). This accounted for 2.1% of total U.S. exports to the world, and making China the 11th largest market for U.S. exports. The top five U.S. exports to China in 2000 were electrical machinery, transport equipment, office machineries, oilseeds, and general industrial machinery and equipment. Together, these five commodities accounted for about 42% of total U.S. exports to China in 2000. U.S. exports to China in 2000 were nearly 24% higher than 1999 levels. Much of that increase was accounted for by a surge in U.S. exports of oilseeds and computers. On the other hand, total imports from China rose from \$ 31,539 million in 1993 to \$ 100,018 million in 2000. This accounted for 8.0% of total U.S. imports, and made China the fourth largest supplier of U.S. imports. The top five U.S. imports from China in 2000 were:

- Miscellaneous manufactured articles such as toys, games, etc,
- Office machines
- Telecommunications equipment, sound recording, and reproducing equipment such as telephone answering machines, radios, tape recorders and players, televisions, VCRs, etc,
- Footwear

- Electrical machinery.

Together, imports of these five commodities accounted for nearly 59% of total U.S. imports from China in 2000. The total merchandise trade of US with China rose from \$ 40,301 in 1993 to \$ 116,203 million in 2000. By this China became the 4th largest U.S. trading partner. The following table also shows that U.S trade deficit with China rose from \$ 22,777 million in 1993 to \$ 83,833 million in 2000. This means the U.S. trade deficit with China had grown significantly due largely to a surge in U.S. imports of Chinese goods relative to U.S. exports to China.

Table 1.

U.S. Merchandise Trade with China: 1993-2000 (\$ Millions)

Year	U.S. Exports	U.S. Imports	U.S. Trade Balance
1993	8,762	31,539	-22,777
1994	9,281	38,786	-29,504
1995	11,753	45,543	-33,789
1996	11,992	51,512	-39,519
1997	12,862	62,557	-49,695
1998	14,241	71,168	-56,927
1999	13,111	81,788	-68,677
2000	16,185	100,018	-83,833

Source: Foreign Trade Division, U.S. Census Bureau

The Issue of Trade Deficit

China's entry into the WTO was not likely to reduce the bilateral trade deficit or eliminate trade friction with the United States for a number of reasons. First, the benefits of China's accession might have been over sold by an administration seeking authority to extend permanent normal trade relations (PNTR) to China to avoid being frozen out of the benefits of China's WTO commitments. The bilateral agreements between China and the United States, which were become part of China's multilateral commitments, provided increased market opening. China's markets for merchandise were on average far more open than was commonly recognized. For example, by early 2001 China's average tariff rate had been cut to 15.3 percent, about half the level prevailing in India and roughly equivalent to tariffs in Brazil and Mexico. Moreover, 60 percent of all imports entered China under one of many import duty exemption programs. As a result, actual tariff collections in China were extremely modest—less than five percent of the value of imports.²⁵

Similarly, import quotas and licensing requirements, which used to be pervasive, had been steadily reduced and by 2000 covered only 4 percent of all import commodities. Thus, although the lower tariff and no tariff barriers accompanying China's entry into the WTO was to lead to a dramatic increase in U.S. exports of a few products that were than highly protected, the rate of expansion of their exports to China in the aggregate was not likely to accelerate dramatically.

Second, the agreement on China's WTO entry conditions did nothing to reduce the United States' overall trade deficit, which was determined by macroeconomic factors such as the national savings and investment rates. Until the savings rate rises, the investment rate falls. So the rate of expansion of the United States' economy was to decline (as had been the case since the middle of 2000), and the overall trade deficit would remain large. In those circumstances it was inevitable that an appreciable fraction of investment in this country would be financed by foreign capital, including Chinese capital. Global trade deficit of United States was simply the mirror image of that large

²⁵ *Ibid*

capital inflow. The ever-growing use of United States currency in many foreign countries also helped to finance the trade deficit.

Third, under the terms of its WTO accession agreement, China, like other developing countries was to take benefit from the phase out and elimination at the end of 2004 of quotas that historically had restricted international trade in these products. Those quotas had artificially restricted China's apparel exports to the United States since the first bilateral textile agreement was signed in September 1980. Since China was a low-cost producer than many other suppliers of apparel to the United States, it almost certainly was to displace at least some apparel exports from other countries as the restrictions were phased out. While total apparel imports into the United States might not raise significantly, the share originating in China almost certainly was to. The result was that total U.S. imports from China raise further as the restrictions on textile and apparel trade was liberalized.

Fourth, China would certainly continue to benefit from the relocation of industries from other production sites in Asia. In the 1980s and early 1990s, the industries were mostly concentrated in toys, footwear, and apparel. Starting in the early 1990s Taiwan began to move part of its computer component manufacturing capacity to China, which quickly became an important producer of motherboards, monitors, and other PC hardware. In the mid-1990s, China began to emerge as a significant production site for finished computers. By 2000, two-fifths of all Taiwanese PCs were made in China. The migration of production facilities from Taiwan to the mainland was so advanced that China was expected to replace Taiwan as the world's third-largest manufacturer of information technology hardware in 2001.²⁶ China was also making efforts to develop its software industry, but was relatively less advanced in this area than in technology hardware manufacturing.

The trends sketched above were almost certainly accelerated. Taiwanese companies were poised to begin to move their notebook computer and semiconductor production to China. Although Taiwanese government regulations were prohibiting these investments

²⁶ Ibid

in China, these regulations were almost certain to be modified once China and Taiwan were both made members of the WTO. Japanese firms were following a similar pattern, with some delay. During much of the 1990s they curtailed their investment in China as a result of a general reduction in overseas investment and the perception of operating difficulties in China. But by the turn of the millennium Japanese investment in China was on the rise again as firms shifted production of consumer electronics and other products, particularly to southern China. As in the case of apparel, China was likely to displace alternative sources of supply with a resulting increase in U.S. imports from China.

As a result of these factors, it was unlikely that the imbalance in bilateral trade between China and the United States were to diminish any time sooner or later. Any policy approach to China that seeks to reduce the deficit through trade restrictions or administrative intervention seems almost certain to fail, at least in the short run. The good news was that an expansion of the bilateral trade deficit with China, due to the displacement effect were to be compensated by reduced deficits elsewhere in the world and not contribute to an expansion of the United States' global trade deficit.

A further reason to anticipate continued trade friction was that China might not be able to fully implement all of its WTO obligations within the agreed time schedules. On the positive side, even before concluding its WTO negotiations, China had taken care of some of the commitments that it had made in bilateral negotiations with the United States in 1999 and with the European Union in 2000. For example, the government had already approved a deal allowing AT&T to acquire a 25-percent stake in a joint venture to provide broadband telecommunications services in Pudong, Shanghai, something it was not required to allow until after it entered the WTO.²⁷ China also implemented reductions in tariffs on items covered by its commitment to participate in the WTO's Information Technology Agreement. Some of the tariff cuts made in early 2000 were not required until 2004 or 2005. China had also taken early steps to meet some of its commitments to liberalize foreign participation in audiovisual services, construction, retailing, legal

²⁷ Mark W. Frazier (1999), "Coming to Terms with the "WTO Effect" On US-China Trade and China's Economic Growth", *NBR Briefing, The National Bureau of Asian Research*, September.

services, and distribution services. To level the playing field for domestic and foreign firms operating in China, fiscal, financial, and regulatory agencies had begun the process of adjusting many rules and systems, as required under WTO rules.

Also on the positive side, China's legislative body, the National People's Congress, had already amended a number of important domestic laws covering patents, copyrights, trademarks, and foreign investment to make their provisions consistent with WTO commitments. Although these examples did not necessarily guarantee that China was to be able to meet all of its commitments, they do suggest that the government was making a very substantial effort to comply with a broad range of its obligations and that it believed that further economic liberalization and opening up were essential to meeting its own long-term economic goals.

Deeper Integration of China in the Global Economy Served U.S. Interests. Although trade friction between the United States and China might not be eliminated, there was little doubt that China's deepening integration in the world economy was to serve several U.S. interests. Firstly, China's commitment to liberalise the terms under which foreign firms could participate and invest in telecommunications, domestic distribution, financial services, the entertainment sector and many other services, creates significant opportunities in areas where American firms tend to be internationally competitive. During the 1990s, China was already the most rapidly growing large foreign market for U.S. exports of goods and services. The trade and investment liberalisation that China was committed to under WTO was to increase their access to that market and enhance the prospect that the economic relationship was to remain robust. Increased access for agricultural products and automobiles was likely to be particularly important for U.S. firms.

Secondly, successful integration in the global economy was likely to insure China's constructive participation in a new multilateral round of trade liberalisation. China's leadership recognised the actual and potential benefits of increased globalisation and had even gone so far as to suggest the formation of a free trade area with the Association of Southeast Asian Nations (ASEAN) that would also comprise Japan and South Korea. A

proposal of this kind coming from China would have been unthinkable even a few years ago. Should such a trade block eventually materialize, it seems likely that Taiwan would be part of it.

Thirdly, deeper integration, and the concomitant acceleration of domestic economic reform, also increased the likelihood that China would be able to meet the expectations of its population of 1.3 billion for improved living standards. An economically failing China, by contrast, would lead to regional instability and impose substantial costs on the United States and the rest of the world.

Fourthly, the implications of rising living standards within an increasingly market economy were overwhelmingly favourable to the development of a more pluralistic social and political system in China. As was true in the case of Taiwan, South Korea, and Thailand, a rapidly modernizing economy was at some point likely to generate effective pressure for political change, away from authoritarian rule.

Bilateral Investment

With China's continuously improved investment environment in those years, the U.S. enterprises' enthusiasm to invest in China remained high. 'In 1998, the United States businesses invested in 2,215 projects in China, with the agreed-upon investment valued at US\$6.21 billion and the actual inflow of investment valued at US\$3.91 billion, which represented an increase of 1.2%, 25.8% and 20.8% respectively over those in 1997. From January to July 1999, the United States invested in 1,163 projects in China, with the agreed-upon investment valued at US\$3.49 billion and the actual inflow of investment valued at US\$2.22 billion, which represented an increase of 0.52%, 5.04% and 12% respectively. By the end of July 1999, the United States invested projects reached a total of 27,744, with the agreed-upon investment valued at US\$49.8 billion and the actual inflow of investment valued at US\$23.63 billion.'²⁸ The United States businesses had invested in such fields as machinery, metallurgy, petroleum, electronics,

²⁸ 30 years of china-us relations 1979-2009:Sino-U.S. relations in Retrospect", [Online: web] Accessed 1/11/2009, 12:05pm URL:<http://en.showchina.org/Features/sinous/08/200901/t253221.htm>,

telecommunications, chemical industry, textile, light industries, food agriculture, medicine, real estate as well in the pilot opening-up sectors of finance, insurances, foreign trade, accounting, freight transport service, etc. Many United States businesses were doing very well in China and had decided to invest even more in their operations.

2.5: Conclusion

Clinton Administration gave a new direction to the U.S. - China relations. President Clinton had to take into account lots of things before taking any decision regarding China. All the contentious political issues like Human Rights, Taiwan etc. were there, but President Clinton gave more priority to economic issues. With coming to power, he had to deal with the MFN status to China. Due to Human Rights violation in China, he was reluctant to renew the status. But with the passage of time keeping in mind the quantum of trade that could be done with China, he had to grant MFN as well as PNTR status to China. That same year, Clinton signed a landmark trade agreement with China, after more than a decade of often-stalled negotiations. The agreement would lower many trade barriers between the countries, easing access to the Chinese market for U.S. products such as automobiles, banking services, and motion pictures. Under the pact, the United States would also support China's membership in the WTO. However, the agreement could not take effect until China was accepted into the WTO and was granted permanent normal trade relations status by the U.S. Congress. Many lawmakers resisted granting this status to China, citing concerns about human rights in China and the potential impact of Chinese imports on U.S. industries. Despite these concerns, Congress passed the bill normalizing trade relations with China in September 2000, and in October Clinton signed the bill. Its passage was considered a success for the Clinton Administration. At the end of his second term issue of importance was WTO membership to China which it got on 11th December 2001. However trade with China was not favourable to the United States. During his administration the United States had always trade deficit with China. But the opportunity of trade and investment with China was such that it could not have been ignored.

Contentious Political Issues: Taiwan, Tibet and Human Rights

During Clinton Administration contentious issues like Taiwan, Tibet and Human Rights were there. But to enhance economic relation, these issues were sidelined. The nature and status of US-China relations during the Clinton administration have been analysed in this chapter. Emphasis will be on the contemporary period characterized as "Comprehensive Engagement" by President Bill Clinton. It will be of interest to all nations of Asia; as such, Indian policy-makers cannot escape the immediate impact of a US-China Cold War.

3.1: Introduction

Bill Clinton criticised China strongly during his campaign, calling Chinese leaders "the butchers of Beijing."¹ After his Presidential inauguration in January 1993, President Clinton pursued a tough and uncompromising policy toward China. He continued U.S. sanctions, which had been imposed after the June 4 Tiananmen massacre, and blocked Beijing's bid to host the 2000 Olympic Games.

In spite of Clinton's initial negative feelings and actions, he later seemed to mellow and even warm toward China. By 1993 China had become the world's third-largest economic power, with an annual GDP growth rate of over 13 percent, the highest in the world. The CIA in its 1993 annual report described China's economy as "bubbling, with a gross domestic product of \$2.35 trillion, matching Japan's."² As a result, the Clinton administration seemed determined to carve out a larger share of China's market.

By September 1993, Clinton made a 180-degree turn in policy, reversing his earlier rhetoric, and decided to embrace rather than isolate China. President Clinton personally met with Chinese President Jiang Zemin at the APEC summit held in Seattle on 19 November 1993. By the end of 1993, Clinton was ready to lift most of the U.S. sanctions against China. By that time, the Clinton Administration maintained that "the U.S. would

¹ Patrick Tyler (1999), "A Great Wall", New York: Public Affairs, 381.

² "CIA Says Chinese Economy Rivals Japan's", *New York Times*, 1 August 1993, p. 6.

have a significant, if not decisive, impact on the choices China made integrating China into international security, economic, and environmental institutions."³

One the most controversial issue regarding the future status of Taiwan was, President Clinton tilted more toward China. For example, he refused to sell more advanced weapons to Taiwan, such as the Burke-class destroyers equipped with AEGIS battle-management systems, and refused to help Taiwan upgrade its PAC- 2 theatre missile defences (TMD).⁴ Although he granted Taiwan President Lee Teng-hui a private visit to the United States in 1995 (largely under pressure from Congress), Clinton's administration viewed Lee Teng-hui as a "troublemaker" and they were determined to "take steps to assure that the danger of confrontation with the PRC did not rise again on their watch."⁵

3.2: Taiwan: Potential Flash Point

The Clinton Administration was not interested to make any major changes to Taiwan policy in its early days. The Administration's general thinking on Taiwan was best summed up by, "If it ain't broke, don't fix it"⁶. The US had severed its diplomatic relations with Taiwan and accepted the theory of *One China*. However, the US had insisted that reunification of Taiwan with mainland China must come about only by peaceful means. In his meeting with President Jiang Zemin in 1993, President Clinton had emphasised that he was committed to the three Communiqués of 1972, 1978 and 1982.⁷ But China increasingly perceived the US as going back on its commitment to one China and promoting the "one people, two governments" theory.

In line with the State Department's statement of 16th may 1994, the Clinton Administration did not make revisions to address Taiwan's security concerns in its 7th September 1994 Taiwan Policy Review. This Policy Review was drafted in consultation

³ Ted Osius (2001), "Legacy of the Clinton-Gore Administration's China Policy," *Asian Affairs: An American Review*, Fall: 125.

⁴ Lawrence E. Grinter (2002), " Handling the Taiwan Issue: Bush Administration Policy Towards Beijing and Taipei", *Asian Affairs: An American Review*, Spring: 6.

⁵ Robert Sutter (2001), "U.S. Domestic Debate Over Policy Towards Mainland China and Taiwan: Key Findings, Outlook and Lessons," *Journal of Chinese Studies*, October: 137.

⁶ James Mann,(1994), "Clinton's Kissingerian Taiwan Policy: Henry Clinton", *The New Republic*, reprinted in Congressional Record, 26 January 1998.

⁷ Ibid.

with the interested members of the Congress⁸. This policy review was barely published and was quietly announced in an off-the-record briefing. Administration officials reaffirmed that US policy on arms sales to Taiwan would remain unchanged. That is, the US would supply Taiwan with enough equipment to meet its security needs in accordance with the TRA while at the same time any US arms sales to Taiwan would have to take into account the *Shanghai Communiqué*.⁹ It was believed that the US was trying to promote and strengthen its unofficial economic and commercial ties with Taiwan by lifting the level of exchanges and visits and changing the nature of the settings for those kinds of issues.

Taiwanese President Lee Teng-hui's visit to the United States

Taiwanese President Lee Teng-hui's visit to the United States in June 1995 was one of the most controversial issues in US-China relations during Clinton Administration. The flash point in US-China relations over Taiwan came in June 1995 over the question of the US issuing a visa to Taiwanese President Lee Teng-hui to visit the US to address his alma mater, Cornell University, on June 7. Already the Clinton Administration had upgraded unofficial relations with Taiwan by permitting visits of officials of Cabinet level. Clinton had also referred to Taiwan at his meeting with Jiang Zemin in Seattle as a country.

China's suspicion that the US has not given up the idea of an independent Taiwan, was too strong. Hence, when the Clinton Administration extended a visa to the Taiwanese President, China described it as the US "playing with fire." China recalled indefinitely its Ambassador to the US for consultations. Partly it was a political problem faced by President Clinton because of the Republican Party controlled Congress which had many staunch supporters of Taiwan. The Congress had passed a resolution asking the Clinton Administration to issue a visa to President Lee by an overwhelming majority in the Senate, 97 to 1, and in the House by 396 to nil. The president could not veto it.

In response China, enraged at the US support to Taiwan, conducted military exercises close to Taiwan to threaten it in July 1995. This was to make it clear to Taiwan that if

⁸ Lord (1994), *Taiwan Policy Review*, p.705.

⁹ Osman Tseng (1994), "Taiwan: The US Upgrades Ties with Taiwan", *Business Taiwan*, Reuter Business Briefing, 12 September.

necessary China would not rule out use of force. Later, during the March 1996 election for the Taiwanese Presidency, first time was held directly, China had a deep suspicion that Taiwan might declare its independence. It held war games in the Taiwan Strait, aimed at cautioning the Taiwanese against any moves towards independence. The Clinton Administration sent naval warships to Taiwan Strait to remind China not to settle the dispute by the use of military force. The Chinese gamble actually failed as there was a turnout of 76.9 per cent voters and Lee won the elections decisively. The Republican Speaker of the House, Newt Gingrich and many other lawmakers had openly called for the admission of Taiwan as an independent country to the UN.

Taiwan Strait Exercises, 1995-96

The absence of actual combat by the PLA during military exercises in the Taiwan Strait in 1995 and 1996 differentiates this situation from the previous ones. Nevertheless, it illustrated China's recurring pattern of deterrence and seizing of the initiative in direct or indirect confrontation with the United States. In May 1995 Lee Teng-hui, president of the Republic of China, contrary to Washington's assurances to Beijing, received a visa to visit Cornell University, his alma mater. In June his speech there emphasized the international status of Taiwan, triggering a wave of rhetorical attacks from Beijing, followed by missile exercises north and south of Taiwan¹⁰. From July 21 to July 28, after public warning, the PLA fired missiles 80 miles northeast of Taiwan in a 10-nautical-mile circular area near the air- and sea-lanes between Japan and Taiwan¹¹. China's motivation was twofold: to warn Washington against further support for Lee and to deter Lee from continuing his perceived moves toward Taiwan independence. For the sixty-eighth PLA anniversary on August 1, Beijing's defence minister declared that China "will not sit idle if foreign forces interfere in China's reunification and get involved in Taiwan independence."¹² By August upward of 400 articles in the Chinese press attacked Lee by name. That month previously announced missile firings occurred over a wider area 90

¹⁰ Robert S. Ross (2000), "The 1995-96 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force," *International Security*, 25(2) Fal: 87-123.

¹¹ John W. Garver (1997), *Face Off: China, the United States, and Taiwan's Democratization*, Seattle: University of Washington Press.

¹² *Ibid*, pp. 21-23.

miles north of Taiwan, ending the day that U.S. Undersecretary of State Peter Tarnoff arrived in Beijing as previously scheduled to discuss the overall Sino- American relationship.

In the fall the regular semi-annual PLA exercises took on an expanded format as CCP Chairman Jiang Zemin watched an amphibious landing on an "enemy shore" in the Yellow Sea, involving aerial combat and missile bombardment of shore defences while submarine and antisubmarine units blocked the operations from "enemy" ship attack¹³. In mid-November 10 day exercises simulated an invasion of Dongshan Island near southern Fujian was reportedly the largest combination of ground, naval, and air units in PLA history. With more than 160,000 participants, 200 landing craft, and 100 other ships, the political target was Taiwan, where the Legislative Yuan election was scheduled for December 2.

The election cut the KMT party majority to two seats, contrary to forecasts of an easy victory, with only 46 percent of the popular vote compared with 53 percent in 1993. Open opposition to Lee had split the KMT, with several party leaders announcing their candidacy and the formation of a rival New Party headed by the popular former governor of Taiwan. However, much of these factors contributed to Lee's setback, Beijing could regard it as a success for coercive diplomacy.

Also in November, Beijing announced another round of exercises for the following spring prior to and coinciding with Taiwan's presidential election, when Lee was running for a second term. After one month of deployments that included elements from all three PLA fleets, an estimated 300 planes, and 150,000 troops, Beijing scheduled missile exercises for March 8-15 during Taiwan's three-week campaign period¹⁴. The relatively small target areas were 32 miles from the southwest coast with a major port, Kaohsiung, and naval base, Tsuoying, and 22 miles from the northeast coast with a major port, Keelung, and naval base, Su'ao. Chinese commentary specified that these would be "exercises," as differentiated from the 1995 "tests".¹⁵

¹³ Ibid., pp. 92-93.

¹⁴ Ibid, pp.99-100

¹⁵ Ibid, p.101

On March 8 Washington announced deployment "a few hundred miles" from Taiwan of the US Independence aircraft carrier battle group, which included two destroyers, a cruiser, and a frigate. Beijing responded on March 9 with the announcement of a second air, land, and naval exercise for March 12- 20 in a 17,000-square-kilometer area off southern Fujian and near the midline in the Taiwan Strait. On March 11 Washington countered that a second carrier battle group headed by the USS Nimitz, two destroyers, a cruiser, a frigate, and a submarine was being deployed from the Arabian Sea to join the Independence off Taiwan. On March 12 PLA joint-force exercises began as scheduled. On March 15 NCNA (Xinhua News Agency) announced a third set of exercises for March 18-25, ending two days after Taiwan's election and covering 6,000 square kilometres around Haitian Island off the Fujian coast. There amphibious boats, helicopters, and parachute forces would combine with land, air, and naval forces to practice seizure of the island. On Taiwan the political results were mixed so far as Beijing's goals were concerned. On one hand, Lee won re-election by a majority of 54 percent. On the other hand, the strongest independence advocate of the Democratic Progressive Party was resoundingly defeated, with only 21 percent of the vote.

Risk management began in mid-1995 with the explicit designation of scheduled missile firings and the advance announcement of exercises in the fall. In addition, none of the missiles fired in Taiwan's vicinity in either year were armed. PLAAF planes flew across the mid-strait line in 1996, contrary to practice by both sides, but they did not come close to Taiwan. Finally, in contrast with all of the previous cases, Beijing took several steps to inform Washington that no attack on Taiwan was planned. First, in February 1996 the U.S. embassy in Beijing was informed to this effect.¹⁶ Secondly, later that month National Security Adviser Anthony Lake proposed that his counterpart come to the United States for discussions; Beijing agreed. Vice Foreign Minister Liu Huaqiu met in Washington with Lake, Secretary of Defence William Perry, and Secretary of State Warren Christopher just as the first missiles were to be fired. Frank exchanges that night and the next day established the boundaries of anticipated movement by both sides. Unlike previous PLA actions that directly or indirectly involved the United States,

¹⁶ Jonathan D. Pollack (1997), "The U.S. and Asia in 1996: Under Renovation but Open for Business," *Asian Survey*, 37(1), January: 98.

authoritative high-level communication was undertaken to minimize misunderstanding between Washington and Beijing. As an aftermath, in 1997 and 1998 President Bill Clinton and President Jiang Zemin exchanged summit visits.

President Jiang Zemin's the U.S. visit of 1997

In October 1997 President Jiang Zemin visited the U.S.. As the Washington summit neared, general resolutions were introduced in Congress calling upon the president "to make clear" to Jiang the commitment to the security of Taiwan mandated by the TRA and the expectation that cross-strait differences would be resolved peacefully. More pointedly, the House passed legislation by a vote of 301-116 calling for Defence Department studies regarding the provision of anti-ballistic missile systems to Taiwan and Taiwan's possible inclusion in a theatre wide system an obvious attempt to complicate rapprochement with the PRC.

Not much progress was made during Jiang's visit. Clinton affirmed the One China policy. "Ultimately, the relationship between (China) and Taiwan is for the Chinese themselves to determine peacefully," Clinton said.¹⁷ The only thing which might have displeased Taiwan's supporters was that Beijing and Washington negotiated a statement by the State Department which announced the "Three No's" policy. The "Three No's" were mentioned by State Department spokesperson James Rubin at the end of Jiang Zemin's visit of October 1997¹⁸.

"Three No's included:

- The United States did not support Taiwan independence;
- Did not support a two China or one China and one Taiwan policy;
- Would not back Taiwan's admission to any international body based on state hood."¹⁹

President Clinton's visit to China in 1998

The greatest event billed in the first half of 1998 in the Sino-US relations was Bill Clinton's state visit to Beijing towards the end of June. On April 30, US Secretary of

¹⁷ Jonathan Peterson (1997), "Clinton and Jiang Agree to Pacts, Differ on Rights", *Los Angeles Times*, 30 October p.A-1

¹⁸ (For more see URL: <http://www.taiwandc.org/twcom/81-no1.htm>)

¹⁹ Barton Gellman (1998), "Reappraisal Led to New China Policy", *Washington Post*, 22 June: A01.

State, Madeleine Albright was in Beijing to hold high-level meetings with the Chinese President, Jiang Zemin. The US policy makers were on the horns of a dilemma. In simplistic terms, the dilemma was: the US economic interests demanded a continued improvement in the bilateral relations while the political establishment demanded a strong US stance on China's human rights performance.

On 30 June 1998, on one of his last visits to Shanghai, President Clinton announced a new policy of the "Three No's" with respect to Taiwan. On a radio show, Clinton stated that during his summit meeting with Chinese President Jiang Zemin in Beijing on June 27:

I had the chance to reiterate our Taiwan policy which is that we don't support independence for Taiwan [the first no], or two Chinas, or one-Taiwan one-China [the second no]. And we don't believe that Taiwan should be a member of any organization for which statehood is a requirement [the third no].²⁰

That became a high point of the conflict over the Taiwan issue between the Executive and the legislature in that year. Beijing had been trying to get a signed statement from the United States that would formally commit us to the Three No's policy. The Clinton Administration refused to do so. However Administration officials, including Secretary of State Madeleine Albright and National Security Advisor Sandy Berger had stated the policy on several occasions before Clinton went to China.²¹

Congress did not pay much attention to the "Three No's" policy uttered by the Administration officials. But when Clinton did it, it reacted strongly. As usual Taiwan's supporters in Congress had been wary of any move from Clinton in his upcoming visit to China which might have adversely impact on Taiwan. Well in advance of the visit, Senator Murkowski and some other senators wrote to Clinton and, again, urged him to oppose any efforts at the summit by the PRC leadership to diminish American support for Taiwan. The letter also stated that "We in Congress are prepared to reiterate the commitment of American people to freedom and democracy for the people and

²⁰ Carol Giacomo, (1998), "Clinton Spells Out Taiwan Policy," *Reuters, Yahoo! News*, 30 June..

²¹ Jim Mann (1997), "Clinton 1st to OK China, Taiwan '3 No's'", *Los Angeles Times*, 8 July: A-5.

government of Taiwan".²² The House, on the other hand, by a vote of 411-0 on 9 June agreed to a resolution (H. Con. Res.270) urging Clinton to seek, at the June summit meeting in Beijing, a public renunciation by China of any use of force, or threat to use force, against Taiwan.²³

For Clinton's opponents this was a glaring example of an appeasement policy, while supporters expressed uneasiness over an apparent narrowing of the options for resolution of cross-strait differences! This situation was exacerbated by yet another accusation of a failure to consult. Prior to the president's visit, rumours had circulated that he planned some action perhaps a fourth communiqué that would adversely affect Taiwan's interests. However, both at the cabinet level and at the staff level, Administration representatives assured Congress that there would be no such change.

In sum during the Clinton Administration a concatenation of events, both international and domestic, changed the context for Washington's Taiwan/ PRC policy. Seeking to improve relations, the Clinton Administration faced PRC demands to demonstrate that it did not encourage separatist sentiments in Taiwan. As the Administration sought to distance itself from the island, a partisan Congress, sceptical of the policy of engagement, acted to balance the Clinton policy by enhancing the American relationship with Taiwan. Clinton pushed the extension of PNTR status to China. The U.S. House of Representatives voted in favour on 24 May 2000, and the Senate approved PNTR on 19 September 2000.

3.3: Tibet and the Dalai Lama

In the 1990s, particularly, after China ceased to be used as a balancer against the Soviet power, the US had given considerable attention to Tibet and the Dalai Lama. The Clinton Administration had named a separate official for coordination of Tibetan affairs. He assigned the task of promoting a dialogue between Beijing and exiled Tibetan spiritual leader, the Dalai Lama. He would also seek to protect the unique religious, cultural and

²² Congressional Record, 7 July 1998, p.S7584.

²³ Congressional Record, 9 June 1998, p.H4279-H4296.

linguistic heritage of Tibet. Chinese leaders naturally resented the American interest in the Tibetan affairs, which they considered as interference in their internal affairs. The Chinese had unleashed a vicious campaign against the spiritual leader of the Tibetans, the Dalai Lama. He had been described as a follower of Nazis as his mathematics teacher was a Nazi. The *Beijing Review* portrayed the Dalai Lama also as a fascist disciple of Heinrich Harrer, an Austrian mountaineer, who taught the young spiritual leader in the 1940s.

Chinese President Jiang Zemin, had personally given a lead in heaping abuse on the Dalai Lama and the Tibetans. During his state visit to Washington, in October 1997, he stated that the Tibetans had no culture. Addressing six non-governmental organisations he said that, Beijing liberated Tibetans from serfdom bordering on slavery and put them on the path of freedom and prosperity. But the Tibetans apparently were not happy with their liberation. Already 1.6 million Tibetans had lost their lives resisting Chinese re-education of Tibetans. In effect, it involved making the monks in the monasteries and children in the schools renounce the Dalai Lama, and swear by the Chinese motherland. While the Americans had expressed their concern for religious freedom for the Tibetans, the newly elected National People's Conference (NPC) in their meeting in March 1998 emphasised the need for continued re-education of Tibetans. This was because, according to the Chinese authorities, the Dalai Lama is practicing "splitism", meaning he aimed to split Tibet from mainland China.

Clinton Administration's Position on Tibet

The Clinton Administration's position on Tibet mirrored that of its predecessors in that it accepted Chinese sovereignty while raising concerns over reports of human rights abuses there. The White House did not want to see the Tibet issue bring about a further deterioration in the Sino-U.S. relationship. During the Dalai Lama's visit to the U.S. in April 1993, Vice-President Al Gore received the Tibetan leader in his office. President Clinton arranged to "drop in casually" for a few minutes while the Dalai Lama was there so China would not

take offence at an official audience with the U.S. head of state.²⁴ The 50-minute meeting with Gore marked the first time that a senior U.S. official had allowed the Dalai Lama to enter the White House through the front door and discuss human rights issues at length. The Dalai Lama's spokesman said Clinton promised to help the Tibetans, but the White House attempted to play down the meeting, claiming that Clinton had merely expressed his support for greater respect for human rights in China while noting the U.S. government's position on Tibet's status as a part of China.²⁵

Meanwhile, the situation in Tibet remained volatile. On May 24, 1993, the largest demonstration since 1989 swept through Lhasa. The crowd of some 2,000, whose slogans leaned heavily toward "Chinese, go home" and "Free Tibet," was eventually broken up peacefully by Chinese security forces who confronted them in full riot gear. However, although the Tibetan capital saw a number of subsequent smaller acts of rebellion, Beijing stayed its hand because it was awaiting Washington's decision on China's MFN status. The wait ended on May 28, 1993, when President Clinton signed an executive order renewing China's MFN status for one year. It was conditioned on China's making "overall, significant progress" with respect to human rights, including the protection of "Tibet's distinctive religious and cultural heritage." Clinton became the first U.S. president to make improvement of the human rights situation in Tibet a condition for renewal of the privileged trade status.²⁶ For the first time in decades, Tibet was given a prominent place on the agenda of bilateral U.S.-China relations and integrated into U.S. China policy.

This new tack came about owing to congressional pressure, which had again played a significant role in pushing an American president into taking a tough line on Chinese oppression in Tibet. Earlier that May, about 200 members of Congress had sent the president a letter complaining of the lack of human rights progress in China and Tibet and urging

²⁴ During his visit, the Dalai Lama was also the first visitor to Washington's newly opened Holocaust Museum. This also angered Beijing. (For more see "Clinton meets Dalai Lama, Pledges help", *Washington Post*, 28 April, 1993, p.A9.

²⁵ "Clinton meets Dalai Lama, Pledges help", *Washington Post*, 28 April, 1993, p.A9.

²⁶ Guangqiu Xu (1997), "The United States and the Tibet Issue", *Asian Survey*, University of California Press, 37(11) Nov: 1062-1077.

him to adopt the tougher stance. Another such letter pressed him to play an active role in bringing the Chinese and Tibetans to the negotiating table.²⁷

But even after President Clinton had modified the U.S. position on MFN renewal, Congress continued to press him on the Tibet issue. The funding authorization bill for the State Department, the U.S. Information Agency (USIA), and related bodies passed by the Senate Foreign Relations Subcommittee on June 19, 1993 included language sure to arouse controversy with China. It required the USIA to establish an office in Lhasa for the purpose of "promoting discussion on conflict resolution and human rights." It further required the Administration to make periodic reports on the state of bilateral relations between the U.S. and "the Tibet government in exile," led by the Dalai Lama. Moreover, the bill also contained the first strong criticism by the Senate of the population transfer of Han Chinese into Tibet.

In 1995, legislators successfully pushed through several measures on Tibet, notably one that established a Voice of America Tibetan service and another that declared Tibet to be an occupied country. This was also the first year in which the newly Republican majority Congress could flex its muscles and pursue the party's long-promised assault aimed at reducing funding for and eliminating foreign aid programs, agencies, and the like. In a sweeping bill it passed on May 15, 1995 that was meant to forward this agenda (the 23 to 18 vote was along party lines), the House International Relations Committee took the opportunity to include language that referred to Tibet as "an occupied sovereign country under international law." It also condemned China both for its continued domination of Tibet and its deteriorating human rights record there. The measure also mandated the appointment of a special U.S. envoy with ambassadorial rank to Tibet. Finally, in a further rebuke the legislation included a provision that would restrict U.S. participation in the Fourth World Conference on Women was to be held that September in Beijing unless Taiwanese and Tibetan delegates were invited to attend.

The bill was still pending in September 1995 when the Dalai Lama came to the U.S. in an effort to get the U.S. to increase its pressure on China to relax the various restrictions it had

²⁷"Clinton Faces Prickly Issues of Tibet in Debate over Trade Status," *Wall Street Journal*, 10 May, 1993, p.A7

placed on Tibet. The Dalai Lama met again with the vice-president on September 13, and again the president declined to meet him formally, choosing instead to "drop in" on the meeting. The use of this tactic aimed at placating China did not go down well with the Senate. The legislators, who had unanimously passed a resolution on September 8 welcoming the Dalai Lama to the U.S. and calling on the president to meet him, saw the president's refusal to meet the Tibetan leader formally as bowing to the wills of Chinese leaders. Indeed, Congress was growing increasingly frustrated with what it saw as Chinese intransigence on human rights issues. That December 13, it passed a joint resolution criticizing Beijing's record in this area, citing the case of political dissident Wei Jingsheng as well as the flap over the Chinese government's appointment of its own successor to the Dalai Lama's religious counterpart, the Panchen Lama. A compromise bill to revamp and downsize the foreign affairs bureaucracy passed the following day by an 82 to 16 vote also called for the president to appoint a special envoy to Tibet and refuse to visit China until there had been a marked improvement in respect for human rights in both China and Tibet. Despite the opposition of Democrats, who objected to the inclusion of an invitation to Taiwan's president, Lee Teng-hui, to visit the U.S., and the threat of a presidential veto, the bill finally cleared in the Senate on March 28, 1996. The president followed through on his veto threat on April 5, asserting that the bill contained "many unacceptable provisions that would undercut U.S. leadership abroad."²⁸

The White House largely refrained from comments concerning the human rights situation in Tibet generally and actions of the Chinese government there particularly, because the U.S. government was attempting to develop a closer and more complex relationship with the Chinese government. But the U.S. legislature's moves on Tibet only succeeded in making Beijing even more suspicious of Washington's intentions. In the Chinese government's eyes, Washington's professed concern over human rights issues in Tibet was little more than a pretext for the American government to provide support to the independence movement. One Chinese media source described the movement as "the product of imperialist aggression against China before 1949 and a means used by some Western countries to conduct a virtual 'Cold War' against China after 1949. Britain and the U.S. again fanned Tibetan pro-

²⁸ 104th Congress, *Calendars of the U.S House of representatives, 1996; Facts on file*56:2889, 18 April, 1996, p.261

imperialist forces to create the incident of driving out of the Han people."²⁹ Xinhua, the official Chinese news agency, offered this comment after the Dalai Lama's 1995 meeting with President Clinton: Covertly, the U.S. government and the Congress have been backing the separatist activity of the Dalai Lama for a long time. While the debate over Tibet in Washington might have shaped as much by domestic political concerns as by anything else, Beijing's suspicions of ulterior motives were not go away.

Efforts to Create a Special Envoy

During the early years of the Clinton Administration, Congress began considering measures to establish the position of a U.S. Special Envoy for Tibet, with ambassadorial rank. In introducing such a measure in 1994, Senator Claiborne Pell stated he believed it was necessary to further focus White House attention on issues involving Tibet:

I recall how difficult it was to engage previous administrations in serious, knowledgeable discussions on Tibet. ...A Special Envoy for Tibet would ensure that this important element of United States-China relations was continually reflected in policy discussions on a senior level.³⁰

While legislation to create a Special Envoy for Tibet was never enacted, provisions similar to those in the 1994 legislation were also introduced as sections of authorization bills in the 104th and the 105th Congresses. In each case, the provision called for the Special Envoy to have ambassadorial rank and to actively promote negotiations between the Dalai Lama and the Chinese government. Clinton Administration officials opposed these provisions, primarily because of concerns about the creation of an ambassadorial rank position for an entity (Tibet) that the United States recognizes as part of China rather than as an independent country in its own right.

On October 31, 1997, in a move seen as a compromise to appeal to proponents of the "Special Envoy" position, Secretary of State Madeleine Albright designated a Special Coordinator for Tibetan issues within the State Department and named Gregory Craig to serve in the position concurrently with his job as Director of Policy Planning. Although the new Special Coordinator position did not come with ambassadorial rank, its creation

²⁹"Tibet: Inseparable Part of China," *Beijing Review*, 19-25 August, 1996.

³⁰Senator Pell's statement, Congressional Record, 7 October, 1994, p.s14878

nevertheless suggested there would be a higher level of official attention on issues involving Tibet. Consequently, the 105th Congress dropped the Special Envoy provision from subsequent legislation.

In addition to issues involving Tibet's political status and that of the Dalai Lama's exiled community, many other aspects of Tibet-PRC relations had been sources of tension. There are long-standing disputes over basic statistics: the geographic area of Tibet, the number of Tibetans living there, and the number of ethnic Han Chinese residents. There are ethnic frictions between Tibetans and Chinese living in close proximity, with all the burdens of social discrimination and economic disparity that often accompany such frictions. And the still deep-rooted influence of religion in Tibet — as a way of life, a cultural identity, and an institutional force — clashes continually with the secular traditions and bureaucratic requirements of the Chinese communist government system. Among these entrenched tensions, a number of issues in particular have implications for Tibet's future, as well as political implications for U.S.-China relations. These issues are described below.

The Dalai Lama's Negotiations with China

Despite the creation of the U.S. Special Coordinator on Tibet with the specific mission of helping to promote talks, relations between China and the Dalai Lama and his exiled followers remained stalled for years. In the past, both China and the Dalai Lama maintained that they were willing to hold discussions about Tibet's future. Dalai Lama's views on the subject were more cautious and diplomatic than those of many of his followers within the context of rule by China. He had spoken of a future Tibet that is part of China, but which also has "cultural autonomy" within the Chinese system. But the Dalai Lama also had insisted that there should be no preconditions for any discussions he has with Beijing; instead, the negotiators should be able to address every issue in contention.

During those years, Chinese leaders had been highly critical of the Dalai Lama, going so far as to describe him as a "criminal" intent on splitting Tibet from China, and at times intimating that dialogue with him is impossible.³¹ In June 1998, during President Clinton's

³¹ (For more see URL:<http://www.state.gov/www/global>.)

summit trip to China, President Jiang Zemin appeared to take a more moderate position, indicating that the door to dialogue with the Dalai Lama was open. Since then, however, Beijing's position had hardened, with some speculating that Jiang had little support for his more moderate stance among hardliners in Beijing. China continued to insist that discussions with the Dalai Lama would have several preconditions, including: an absolute ban on the subject of independence for Tibet; and the Dalai Lama's public acknowledgment that Tibet and Taiwan are both part of China.

Some speculated that the Dalai Lama might have grown increasingly pessimistic about his ability to achieve a solution to Tibet's situation. He implied that the moderate approach he was pursuing had failed because of China's unwillingness to hold free-ranging talks, and had hinted that time may be running out for a negotiated settlement. Some were concerned that traditional Tibetan culture and values increasingly were being overwhelmed by the growing Chinese presence in Tibet. They were worried about some of the educated and bilingual Tibetan elite, trained by the Chinese communists, who were then serving in government positions in Tibet and who therefore had more of a vested interest in the status quo. He had also suggested that continued delay in achieving a negotiated settlement was increasing the possibility that frustrated Tibetans for which they might resort to violence as an alternative to his own peaceful approach.

China's Patriotic Education and the Panchen Lama Succession:

In 1991, two years after the Tiananmen Square crackdown, China launched a "patriotic education" campaign in an effort to promote loyalty to the communist regime.¹⁸ In the mid-1990s, the campaign became a government tool in efforts to control monastery activity in Tibet and discredit the Dalai Lama among Tibetans. Under the guise of "patriotic education," teams of Chinese officials visited Tibetan monasteries and subjected Tibetan monks to "patriotic" education and training. The campaign required monks to sign a declaration attesting to a number of patriotic statements, including rejection and denunciation of the Dalai Lama; acceptance of China's choice for the Panchen Lama; recognition that Tibet was part of China; and a promise not to listen to *Voice of America* broadcasts. There reportedly had been widespread and intensive resistance to this campaign. According to

some reports, monks refusing to accept “patriotic education” or sign the corresponding declaration were expelled from their monasteries.

In addition to this campaign, in January 1999, Chinese officials began a three-year campaign to foster atheism in Tibet. According to a U.S. government report, a Chinese propaganda official in Tibet described the new campaign in a television interview, saying “intensifying propaganda on atheism plays an extremely significant role in promoting economic construction...and to help peasants and herdsmen free themselves from the negative influence of religion.”³²

In 1995, controversy arose over the selection of the successor to the Panchen Lama, the second most important spiritual leader among Tibetans. Tibetans believed that when a high-ranking spiritual leader dies, his soul is then reincarnated to await rediscovery by special “search committees.” In May 1995, the Dalai Lama announced that after years of searching using search committees sanctioned by the Chinese government — Gedhun Choeki Nyima, a 6-year-old boy living in Tibet, had been found to be the legitimate reincarnation of the deceased Panchen Lama.

Chinese communist officials reportedly were furious that the Dalai Lama made his announcement unilaterally. They regarded it as a challenge to Beijing’s authority to have a final say in this important decision. Chinese officials responded by maintaining that only they had the authority to name this spiritual leader. Consequently, in November 1995, Chinese leaders rejected the Dalai Lama’s choice and announced they had discovered the “real” Panchen Lama — a 5-year-old Gyaltzen Norbu, son of a communist yak herder. On November 29, 1995, he was officially enthroned as the 11th Panchen Lama in a ceremony attended by Tibetan monks and senior Chinese communist leaders. Immediately thereafter, both boys and their families were taken into custody by Chinese authorities and held in undisclosed locations in China. In June 1999, Gyaltzen Norbu, the boy recognized by Beijing, returned to Tibet for the first time, reportedly under heavy military protection. Gedhun Choeki Nyima, the boy recognized by the Dalai Lama, apparently remained under house arrest. The monk who headed the official search party,

³² (For more see *Annual Report on International Religious Freedom for 1999: Tibet*, 9 September, 1999, URI: <http://www.purdue.edu/crcs/itemResources/USDoc/pdf/freedom1999.pdf>)

Chadrel Rinpoche, was arrested and was serving 6 years in jail, allegedly for collaborating with the Dalai Lama.

The decision of the Chinese government to become a direct player in the ancient spiritual rites of Tibetan Buddhism had several implications for Tibet's political future and for U.S.-China relations. First, it complicated the political and religious environment by presenting Tibetans with potential rival centres of spiritual authority in the two Panchen Lamas, thus burdening the private religious decisions of Tibetans with possibly serious political consequences and raising the prospects for future religious strife and divided loyalties. In addition, the Chinese government's involvement in the Panchen Lama succession led many observers to speculate that Beijing was positioning itself to choose the next Dalai Lama. In the eyes of Chinese leaders, such an option might have improved Beijing's prospects for co-opting Tibet's religious leaders and marginalizing the Tibetan independence movement. But it also created a long-term religious succession crisis in Tibet and caused serious rifts among Tibetans that ultimately proved divisive and destabilizing for Chinese rule.

China's Policy of Economic Development

Chinese government policies on economic development in Tibet appeared to have helped raise the living standards of Tibet generally, but at a high cost to Tibet's traditions and cultural identity. These policies reportedly disrupted traditional living patterns and contributed to tensions between Tibetans and Chinese immigrants. In an evident effort to assuage Tibetan resentment, Beijing has spent substantial sums restoring Buddhist temples in Tibet. At a large conference conducted on Tibet in 1994, Chinese officials adopted plans to increase economic activity in Tibet by 10 percent per year and continue substantial economic subsidies to help Tibet's backward economy. China since then has moved ahead with a number of major economic development and infrastructure projects.

The Dalai Lama and other Tibetans were concerned that Chinese economic activity in Tibet disrupted cultural identity, in part by encouraging huge migrations of non-Tibetans into the region — both technical personnel to work on the projects themselves, and entrepreneurs

seeking new economic opportunities. Some even suggested that Beijing had consciously pursued an economic development strategy in Tibet as a way to solve its Tibet problem, by ensuring that the Tibetan economy was tied more tightly into that of China's eastern provinces. The tensions inherent in balancing economic development priorities and cultural preservation concerns continued to influence how American policymakers view China's Tibet policies.

World Bank Project Loan

Controversy arose in 1999 over a World Bank loan that was approved for China on June 24, 1999. One portion of the \$160 million "Western Poverty Reduction" loan, totalling \$40 million, would have financed construction of a dam, irrigation system, and poverty alleviation activities in an area of Qinghai Province which many Tibetans consider part of historical Tibet. According to the Bank's estimates, this portion of the project also would involve resettlement of approximately 58,000 people, most of whom are non-Tibetan, into this area of Qinghai. Critics of the loan maintained that the resettlement plans would reduce the overall share of the population that ethnic Tibetans had in this region. Faced with strong criticism, the Bank suspended its final commitment on the Qinghai portion of the loan pending completion of an investigation by an independent Inspection Panel. That panel found that although the Bank had violated some of its own rules in making the loan, China nevertheless should take remedial steps to address some valid criticisms, and that the Bank would have to vote a second time.³³ On July 7, 2000, China withdrew its application for the loan, announcing it would use its own funds to carry out the project and thus avoid having to address any of the Bank's concerns.

3.4: Human Rights Violation Issues

There was a wide range of human rights problems in China. Suspects could be placed in "re-education camps" for up to four years without trial. Reports of torture while in

³³ (For more see Jonathan Sanford, *World Bank Lending: Issues Raised by China's Qinghai Resettlement Project*, CRS Report RL30786)

official custody were common. Practitioners of Falun Gong³⁴ faced mass arrests, beatings, and even killings. The government considered Falun Gong an “evil cult.” Internet censorship was the rule. There were as many as 30,000 Internet police. They blocked any Internet content that they thought was sensitive or inappropriate. AIDS outreach workers complained of harassment and arrest when they spoke too openly about the epidemic. However, even as China attempted to restrict the emergence of a stronger civil society, protests against corruption, environmental degradation, and poverty were growing in number and size. There were over 87,000 popular protests in 2005. This figure was a tenfold increase since 1993. Local sit-ins closed polluting factories. Villagers grabbed headlines when protested against land seizures and local corruption. Some had even begun to take the government to court.

The Falun Gong (FLG) Activists

Falun Gong, also known as Falun Dafa³⁵, combines an exercise regimen with meditation, moral values, spiritual beliefs, and faith. The practice and beliefs were derived from *qigong*, a set of movements said to stimulate the flow of *qi* — vital energies or “life forces” — throughout the body, and Buddhist and Daoist concepts. Falun Gong upheld three main virtues — truthfulness, compassion, and forbearance, which may deliver practitioners from modern society’s “materialism” and “moral degeneration.”³⁶ FLG adherents claimed that by controlling the “wheel of dharma,” which is said to revolve in the body, one can cure a wide range of medical ailments and diseases. They believed that by practicing Falun Gong, or “cultivation,” they might achieve physical well-being, emotional tranquility, moral virtue, an understanding of the cosmos, and a higher level of existence or salvation.³⁷

Some observers maintained that Falun Gong resembled a cult and refer to the unquestioning support given to its founder, Master Li Hongzhi, departure from orthodox

³⁴ A new-age spiritual movement with millions of followers in China. (For more see <http://www.religioustolerance.org/falungong1.htm>)

³⁵ (For more see URL:<http://www.falundafa.org>)

³⁶ According to Falun Dafa, examples of moral degeneration include rock music, drug addiction, and homosexuality. (For more see URL:<http://www.falundafa.org>)

³⁷ (For more see URL:<http://www.falundafa.org>)

Buddhism and Daoism, and emphasis on supernatural powers. Others criticized the spiritual practice for being intolerant or exclusive. The PRC government charged that Falun Dafa had disrupted social order and contributed to the deaths of hundreds of Chinese practitioners and non-practitioners by discouraging medical treatment and causing or exacerbating mental disorders leading to violent acts. FLG followers countered that the practice was voluntary and that levels of faith and involvement vary with the individual practitioner. They also emphasized that Falun Gong was not a religion, there was no worship of a deity, all-inclusive system of beliefs, church or temple, or formal hierarchy.

During the mid-1990s, Falun Gong acquired a large and diverse following, with estimates ranging from 3 to 70 million members, including several thousand practitioners in the United States.³⁸ Falun Gong attracted many retired persons as well as factory workers, farmers, state enterprise managers, entrepreneurs, intellectuals, and students in China. In addition, Falun Gong reportedly was embraced by many retired and active Chinese Communist Party (CCP) and government cadres and military officials and personnel. In 1999, then Vice-President Hu Jintao stated that of 2.1 million known members of the Falun Gong group, one-third belonged to the CCP.³⁹

Gong generally characterized their objectives as personal and limited in scope. They described their movement as being loosely organized and without any political agenda beyond protecting the constitutional rights of practitioners in China. According to some analysts, however, the movement was well organized before the crackdown in 1999. After the government banned Falun Gong, a more fluid, underground network, aided by the Internet, pagers, and cell phones, carried on for over two years.⁴⁰

³⁸ One estimate put the number of adherents in China at "several million" members. [For more see Craig S. Smith, "Sect Clings to the Web in the Face of Beijing's Ban," *New York Times*, 5 July, 2001.]

³⁹ The practice reportedly enjoyed a strong following among soldiers and officers in some northeastern cities, while the PRC Navy published copies of *Zhuan Falun*. [For more see David Murphy (2001) "Losing Battle," *Far Eastern Economic Review*, 15 Feb.2001, And also also John Pomfret, (1999), "China Takes Measured Steps Against Sect," *Washington Post*, 6 Aug. 1999.]

⁴⁰ Ian Johnson (2000) "Brother Li Love: In China, the Survival of Falun Dafa Rests on Beepers and Faith," *Wall Street Journal*, 25 Aug. 2000.

The 1999 FLG Demonstrations and PRC Government Crackdown

On April 25, 1999, an estimated 10,000 to 30,000 Falun Gong practitioners from around China gathered in Beijing to protest the PRC government's growing restrictions on their activities. Some adherents presented an open letter to the Party leadership at its residential compound, *Zhongnanhai*, demanding official recognition and their constitutional rights to free speech, press, and assembly. Party leaders reportedly were split on whether to ban Falun Gong and conveyed contradictory messages.⁴¹ Premier Zhu Rongji reportedly met with a delegation of practitioners and told them that they would not be punished. By contrast, President Jiang Zemin was said to be shocked by the affront to Party authority and ordered the crackdown. Jiang was also angered by the apparent ease with which U.S. officials had granted Li Hongzhi a visa and feared U.S. involvement in the movement. The government produced circulars forbidding Party members from practicing Falun Gong. Security forces collected the names of instructors, infiltrated exercise classes, and closed book stalls selling Falun Dafa literature. Tensions escalated as followers engaged in 18 major demonstrations, including occupying a government building in the city of Nanchang and demonstrating in front of China Central Television Station in Beijing.

The official crackdown began on July 21, 1999, when Falun Gong was outlawed and an arrest warrant was issued for Li Hongzhi. On October 30, 1999, China's National People's Congress promulgated an "anti-cult" law (article 300 of the Criminal Law), effective retroactively, to suppress not only the Falun Gong movement but also thousands of religious sects across the country. However, Ye Xiaowen, director of the State Bureau of Religious Affairs, stated that police would not interfere with people who practiced alone in their own homes.⁴² In Beijing alone, public security officers closed 67 teaching stations and 1,627 practice sites.⁴³ In the immediate aftermath, the state reportedly

⁴¹ John Pomfret, (2001), "Jiang Caught in Middle on Standoff," *Washington Post*, 8 Apr. 2001.

⁴² Matt Forney (1999), "Beijing Says Changes in Economy Helped Spur Falun Dafa's Growth," *Wall Street Journal*, 5 Nov. 1999.

⁴³ Before the crackdown, there were approximately 39 "teaching centers," 1,900 "instruction centers" and 28,000 practice sites nationwide. (For more see John Pomfret and Michael Laris (1999) "China Expands Sect Crackdown," *Washington Post*, July 25.)

detained and questioned over 30,000 followers nationwide, releasing the vast majority of them after they promised to quit or identified group organizers.

During the first two years of the crackdown, between 150 and 450 group leaders and other members were tried for various crimes and sentenced to prison terms of up to 18-20 years. Estimates of those who had spent time in detention or “labour re-education” ranged from 10,000 to 100,000 persons.⁴⁴ According to estimates by the U.S. State Department and human rights organizations, since 1999, from several hundred to a few thousand FLG adherents have died in custody from torture, abuse, and neglect. Many other followers had been suspended or expelled from school or demoted or dismissed from their jobs.

Some reports suggested that local officials had hoped that they could persuade Falun Gong members to give up the practice or at least refrain from engaging in public protests in the capital. However, between July 1999 and October 2000, many Falun Gong adherents continued to journey to Beijing and staged several large demonstrations. As Falun Gong demonstrations continued, the government crackdown took on a greater sense of urgency. The PRC leadership employed a traditional method of threats and incentives toward lower authorities to prevent public displays of Falun Gong, particularly demonstrations in Beijing. Central leaders turned a blind eye to local methods of suppression against unrepentant practitioners, including the reported use of torture. The largest memberships and severest human rights abuses had been reported in China’s northeastern provinces.⁴⁵

Falun Gong Activities in the United States

There were an estimated several thousand Falun Gong practitioners in the United States and similarly large numbers of adherents in other countries with large ethnic Chinese populations. The movement became highly public in the United States. Members regularly staged demonstrations, distribute flyers, and sponsor cultural events. In addition, FLG followers were affiliated with several mass media outlets, including Internet sites. These included *The Epoch Times*, a newspaper distributed for free in eight

⁴⁴ “Labor re-education” was a form of “administrative punishment” for non-criminal acts that lasts between one and three years and does not require a trial. [For more See Craig S. Smith, (2001), “Sect Clings to the Web in the Face of Beijing’s Ban,” *New York Times*, 5 July 2001]

⁴⁵ Ian Johnson (2000), “Death Trap: How One Chinese City Resorted to Atrocities to Control Falun Dafa”, *Wall Street Journal*, 26 Dec.2000.

languages and 30 countries (with a distribution of 1.5 million); New Tang Dynasty Television, a non-profit Chinese language station based in New York with correspondents in 50 cities worldwide; and Sound of Hope, a northern California radio station founded by FLG members.⁴⁶ These media outlets reported on a variety of topics but emphasized human rights abuses in China, particularly against Falun Gong members, and published mostly negative or critical reports on PRC domestic and foreign policies.

Two U.S. Internet companies founded by Chinese Falun Gong practitioners, Dynaweb Internet Technology Inc. and Ultra Reach Internet Corporation, had been at the forefront of overseas Chinese and U.S. efforts to breach the PRC "Internet firewall." The United States Broadcasting Board of Governors had provided funding to these companies in order to help sustain their efforts in enabling Web users in China to freely access the Internet, including Voice of America and Radio Free Asia websites.⁴⁷

Since 1999, some Members of the United States Congress had made many public pronouncements and introduced several resolutions in support of Falun Gong. Over the year the U.S. Department of State had designated China a country of particular concern for particularly severe violations of religious freedom, including its persecution of Falun Gong. An ongoing ban on the export of crime control and detection instruments and equipment to China satisfied the requirements of P.L. 105- 292, the Freedom from Religious Persecution Act of 1998, which authorizes the President to impose sanctions upon countries that violate religious freedom.

On behalf of plaintiffs in China, Falun Gong adherents in the United States had filed several civil complaints in U.S. federal courts against PRC leaders for violations of the Torture Victim Protection Act, the Alien Tort Claims Act, and other "crimes against

⁴⁶ Vanessa Hua (2005), "Culture and Religion: Dissident Media Linked to Falun Gong," *SFGate.com*, December 18, 2005. (For more see <http://www.falundafa.org>.)

⁴⁷ (For more see Thomas Lum (...), "Internet Development and Information Control in the People's Republic of China", *CRS Report RL33167*.)

humanity.”⁴⁸ In 2001, over one dozen U.S. mayors reported pressure from PRC officials urging them not to give public recognition to Falun Gong.⁴⁹

Strike-Hard Campaigns and the Death Penalty

After the Tiananmen protests were subdued, the coercive apparatus of the state became overt and strong. The party-state relied on a variety of repressive measures such as detention without charge or trial, supervised residence, shelter and investigation, post-arrest detention, denial of access to lawyers, torture and physical duress to extract confessions, presumption of guilt on arrest, witness intimidation, Re-education through Labour, and imposition of the death penalty to suppress political dissent and control crime.

These coercive instruments were deployed against a broad range of activities such as public protests; printing pamphlets; organizing labour groups; participating in demonstrations and rallies; seeking membership in unregistered religious groups; and leading, aiding, supporting, and participating in separatist movements. Activities aimed at disturbing peace and stability, publishing and distributing seditious or subversive materials, maintaining contact with hostile foreign elements, spying, and revealing state secrets were identified as crimes to curtail a range of civil and political liberties that might potentially jeopardize the stability of the state. Those thought to engage in these activities are branded as enemies of the state for endangering national security. They were detained indefinitely and banished to labour camps. In addition to these crimes, harsh penalties were also imposed for general social crimes, such as corruption, robbery, rape, drug abuse and trafficking, prostitution, and other petty crimes.

Interestingly enough, the clamp down on the fledgling democracy movement in the early 1980s coincided with the start of anti-crime (*yanda*) campaigns launched in the mid-80s, and it was periodically re-deployed in 1990, 1996, and 2001.⁵⁰ The strike-hard campaigns

⁴⁸ Under U.S. law, foreigners accused of crimes against humanity or violations of international law can be sued in federal court by U.S. citizens or aliens in the United States. The accused individual must be served a civil complaint in the United States.

⁴⁹ Helen Luk, “China Steps up Efforts Against Sect,” *The Patriot-News*, 9 July 9, 2001.

⁵⁰ Susan Trevaskes, (2003), “Public Sentencing Rallies in China: The Symbolizing of Punishment and Justice in the Socialist State,” *Crime, Law & Social Change*, 39 (4) June: p. 359.

and public sentencing rallies (*gonkai xuanpan dahui*) became a popular legal tool and political tactic to combat unprecedented increase in crime and corruption produced by economic reform. The *yanda* crime-control campaign relied on “mass arrests, swift and harsh sentencing, mass rallies, and extensive propaganda work.”⁵¹ One of the signature features of the strike-hard campaign was the widespread and indiscriminate use of the death penalty. It was estimated that during these strike-hard campaigns, the death penalty led to the deaths of “tens of thousands of people,” and the list of offences punishable by death increased to sixty-eight categories. Articles 61, 48, 236, and 239 of the Chinese Criminal Law specifically limit the application of capital punishment to what is termed as “especially aggravated cases,” or “serious circumstances”. There was widespread evidence to indicate that the punishment of death was liberally applied to violent and non-violent economic crimes.⁵²

People’s Republic of China is one of the few countries in the world with a high death penalty/imprisonment ratio; more prisoners are executed compared to the size of the total incarcerated population.⁵³ China has consistently topped the list of countries with the highest number of executions, but estimating death penalty imposition and actual execution rates was a wild guessing game because official statistics were state secrets. Estimates showed that average per annum execution figures range from a high of 15,000 to a low of 10,000 per year.⁵⁴ An internal report prepared by the office of the Secretary of the Central Politics and Law Committee, Luo Gan, who was one of the nine members of the Chinese Politburo (PBSC), estimated that 60,000 people were executed between 1998 and 2001.⁵⁵

Amnesty International (AI) estimates revealed the staggering executions that took place every year in China. If one were to base calculations on the bold estimates that put

⁵¹ Marina Svensson, *State Coercion, Deterrence, and the Death Penalty in the PRC*, Paper Presented at the *Annual Meeting of the Association for Asian Studies*, Chicago, Illinois, 22–25 March 2001, p. 3.

⁵² Hans-Jörg Albrecht (2000), “The Death Penalty in China from a European Perspective,” Max Planck Institute for Foreign and International Criminal Law, Germany (see also <http://www.iuscrim.mpg.de/info/aktuell/projekte/deathprc.pdf>).

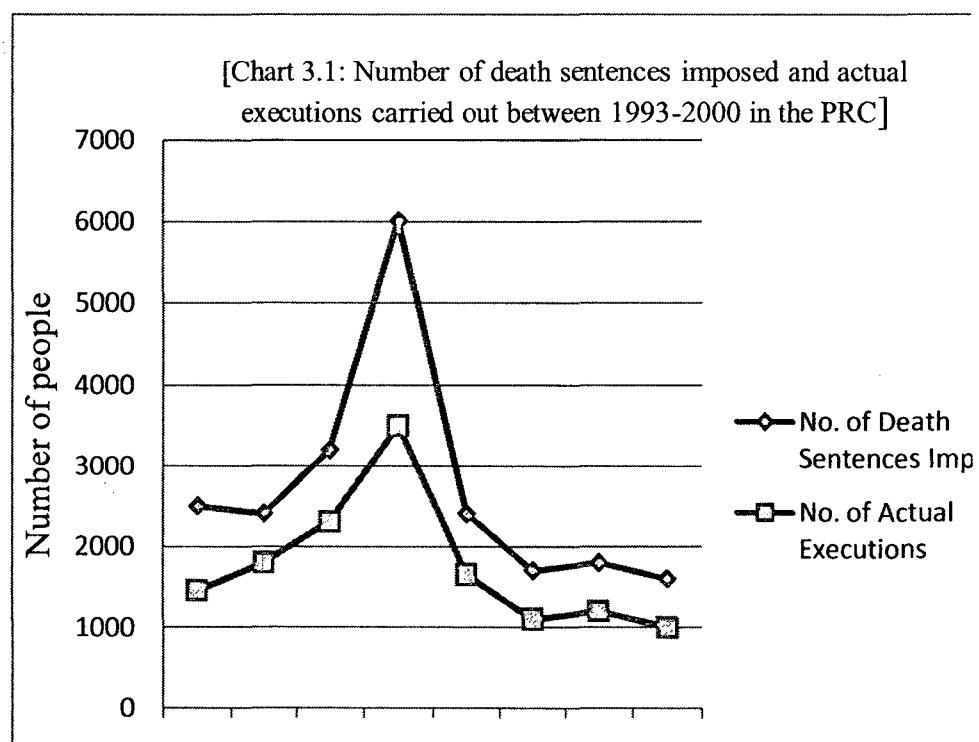
⁵³ *Ibid*

⁵⁴ (For more see <http://www.hrichina.org/fs/view/downloadables/pdf/downloadable-resources/NewsUpdate6.2004.pdf>).

⁵⁵ Andrew Nathan and Bruce Gilley (2003), *China’s New Rulers: The Secret Files*, New York: New York Review of Books, pp. 217-218.

execution rates from 10,000 to 15,000 per annum, then over an 8 year period from 1993 to 2000 one can extrapolate that anywhere between 80,000 to 120,000 individuals were executed. According to some AI estimates, from 1997-2001 at least 15,000 executions were carried out.⁵⁶

Calculations based on estimates gathered from the Annual AI Human Rights Reports put the number of death sentences imposed at 2,662 and the average execution rate at 1,625 per year (see Chart 3.1). This number was significantly lower and demonstrated the challenges of accurately assessing the number of death penalty cases. Irrespective of the difficulty of gathering accurate data, the enormity of the death penalty problem was revealed even by the conservative estimates that put the average number of executions at about 1,625 per annum. These figures strongly associated with the launch of the strike-hard anti-crime campaigns, which further suggested a direct correlation between the launch of anti-crime campaigns and liberal imposition of capital punishment.



Source: Data collected from Amnesty International Annual Reports, China (1993-2000)

⁵⁶Amnesty International (2004), *People's Republic of China: Executed "according to law"?—The Death Penalty in China*, 22 March 2004 (For more see at <http://web.amnesty.org/library/index/engasa170032004>).

Over the years China had encountered three kinds of challenges that could produce social turmoil: (i) ethnic separatism in Xinjiang and Tibet, (ii) expanding demands from Chinese citizens seeking freedom of religious expression and civil liberties, and (iii) social unrest caused by growing income inequalities both within urban areas and between urban and rural districts.

In an effort to confront these challenges, the Chinese state relied heavily on Re-education through Labour, Reform through Labour, and Custody and Repatriation.⁵⁷ With the exception of Reform through Labour, which was a form of criminal punishment, Re-education through Labour was a form of administrative sanction that circumvented the formal criminal legal process. Custody and Repatriation was a type of warehousing technique used to round up urban homeless, vagabonds, and undocumented migrant workers, and hold them in administrative detention until they could pay for their release or they were returned home.⁵⁸ One of the unfortunate outcomes of this detention scheme was that detainees had no rights to legal aid and access to justice was exceedingly limited. It was estimated that more than two million people were detained every year under Custody and Repatriation. Re-education through Labour (RTL) had become a widely used tool of social control especially after the suspension of the dreaded practice of Custody and Investigation because of sustained international pressure.⁵⁹

Shelter and Investigation allowed police to hold individuals in custody for three months for suspicion of being involved in a crime.⁶⁰ Although Article 14 of the 1979 Criminal Law forbids such detentions for more than ten days without charge, the police, nevertheless, depended excessively on this procedure because Shelter and Investigation can be utilized without any judicial review or other legal interference.⁶¹ Shelter and

⁵⁷ (For more see CECC Annual Report, 2002, 2003, & 2006.)

⁵⁸ Congressional-Executive Commission on China (CECC), Annual Report 2002, 107th Congress, 2nd Sess., 2 October, 2002, p. 29.

⁵⁹ Human Rights in China, Reeducation Through Labor: A Summary of Regulatory Issues and Concerns, 01 February 2001 (For more see at <http://hrichina.org/public/contents/article?revision%5fid=14287&item%5fid=14286>.)

⁶⁰ AI, *No One is Safe*, *supra* note 208, at 8.

⁶¹ *Ibid*, at 10.

Investigation was abolished during the 1996 revision of Chinese Criminal Law, but Re-education through Labour has filled the vacuum. RTL is largely directed against two segments of the population: (a) petty criminals, such as drug addicts, sex workers, brothel visitors, and other offenders who commit larceny, fraud, and assault, and (b) political troublemakers accused of counter revolutionary activities, endangering public security or disturbing public order. Generally, the majority of the second group consists of Falun Gong practitioners, and Tibetan and Uighur nationalists.

Tibetan and Uighur nationalists, pro-democracy activists, leaders of underground churches, and editors of independent press were the primary targets of detention under RTL. The PRC government had long equated all types of political dissent, open criticisms of the Communist Party, and autonomous religious activity with separatism and terrorism.⁶² Political dissenters were held incommunicado under charges such as “subversion,” “incitement to subversion,” “inciting splitism,” and “disturbing public order.”⁶³ The crime of “endangering public security” was sufficiently vague so that it could provide wide latitude for interpretation such that any words, actions, or associations both formal and informal, could be construed as being “disruptive of public order or critical of official policies.”⁶⁴ Leaders of unregistered religious associations and other non-governmental organizations that “had contacts with or receive financial support from any organization, within or outside the country” were also detained under RTL because they come under jurisdiction of China’s state security law, which made it a crime for Chinese nationals to have associations with foreigners who endanger national security.⁶⁵

Under RTL detainees could be held indefinitely without charge or trial, tortured and forced to give false confessions, and sent to forced labour camps (*laogai*) for reformation.⁶⁶ These detentions were not subject to judicial review, and those accused

⁶² Nicolas Becquelin (2004) “Criminalizing Ethnicity: Political Repression in Xinjiang,” *Human Rights in China*, No.1.

⁶³ CECC, Annual Report 2003, *supra* note 212, at 15.

⁶⁴ Amnesty International, *No One is Safe*, *supra* note, 208, at 6.

⁶⁵ AI, *No One is Safe*, *supra* note 208, p. 7.

⁶⁶ Rose Tang (2001), “Beijing Forced Detained Scholar to Confess, Husband Says,” *CNN.com*, 23 March 2001. (For more see at <http://archives.cnn.com/2001/WORLD/asiapcf/east/03/23/china.scholar.husband.01/index.html>).

don't have access to legal assistance and they are not allowed to defend themselves.⁶⁷ Official statistics indicate that 200,000 people were being held in various RTL camps in 1996 and that number has since increased to 310,000 by 2001.⁶⁸

Policies of Clinton Administration

Campaigning for president in 1992, Bill Clinton reproached George Bush, Sr. for his indifference to democracy and human rights in foreign policy. In particular, Clinton criticized Bush for his policy of returning Haitians fleeing the repressive military regime following the 1991 coup d'état, which ousted democratically elected Jean-Bertrand Aristide. Clinton also criticized Bush for failing to take decisive action in Bosnia and for renewing China's MFN status. Clinton announced that "mine will be a foreign policy of engagement, one that strengthens democracy, promotes economic reform, opens markets and stands up to aggression and intolerance"⁶⁹ Yet, in the end, Clinton actually continued a number of George Bush Sr.'s policies.

In 1994, Clinton supported China's MFN trading status with no apparent concern for China's continuing human rights abuses. Clinton, like Bush before him, argued that the best way to promote human rights in China was to "engage" Beijing. That is, human rights could be encouraged by bringing China into the family of rights-guaranteeing states through trade and diplomatic contact. Clinton's critics attributed this about face to the fact that, by conservative estimates, the U.S. would lose about 10-15 billion dollars if it withdrew China's MFN status⁷⁰. Shoring up the United States economic interests by maintaining and expanding overseas markets trumped human rights concerns. It is, after all, using Clinton's catchphrase, "the economy, stupid."⁷¹

⁶⁷ Amnesty International (2003), *People's Republic of China, Continuing Abuses Under a New Leadership Summary of Human Rights Concerns*, 30 September 2003.

⁶⁸ *Ibid.*

⁶⁹ Clair Apodaca (2005), "U.S. Human Rights Policy and Foreign Assistance: a Short History," *Ritsumeikan International Affairs* v.3 pp.63-80.

⁷⁰ John Drumbrell (1997), *American Foreign Policy: Carter to Clinton*, New York: St. Martin's Press.

⁷¹ It has been widely argued that Clinton won the presidency as a result of his focus on the nation's economy. His slogan, "It's the economy, stupid" resonated with the American public who appeared to have

In this context Aryeh Neier, Director of Human Rights Watch, charged the Clinton Administration with enacting a new double standard. The Clinton Administration willingly denounced human rights violations in “pariah states or the governments of countries that were not considered politically or economically important,” but refused to condemn repressive governments deemed to be economically or strategically important for American interests⁷². A foreign policy that stressed trade expansion and the opening of foreign markets at the expense of human rights could be seen in the domain of the international sale and exportation of weapons. Although the Clinton Administration professed that arms sales would be contingent upon the adherence to human rights standards, the U.S. share of world arms sales rose from 42 to 70 percent from 1990 to 1993. The purpose of foreign aid then was to subsidize domestic business, open foreign markets, and provide employment for domestic workers.

Clinton’s Policy Response to Post-Tiananmen Square Situation

In China, the 1989 Tiananmen Square massacre was the most notorious instance of human rights violations in past decades. In this massacre, the Chinese military killed hundreds, perhaps thousands of pro-democracy demonstrators. The slaughter captured global attention and was condemned by countries around the world. But China countered that other countries had no right to interfere in China’s internal affairs. In June 1998, Bill Clinton became the first U.S. president to visit China since the Tiananmen Square massacre. During his visit, he debated human rights issues with President Jiang Zemin on Chinese television. He also agreed with President Jiang that both countries would promote and protect human rights in their countries. However, in October 1998, China closed its first-ever human rights conference by declaring that it would not embrace Western definitions of civil liberties. Many leaders argued that the rights to economic survival and development must come first.

little concern for foreign policy and diplomacy at the time. Still, foreign issues did surface that required a response by Clinton.

⁷² Aryeh Neier (1996-1997), “The New Double Standard,” *Foreign Policy*, Vol.105, pp.91-101.

Human rights issues in China continued to be a thorn in Sino-American relations. Most of Americans had seen the Chinese government as oppressive and as a government that denies its own people human rights. The percent of respondents who believed China did a poor job in respecting the human rights of its citizens (69 percent) was the same in 1997 and 1999. It appeared that President Bill Clinton's visit to China in 1998, where he spoke live to the Chinese people about human rights and Tibet, did little to change how Americans had seen the Chinese government's record on human rights or the Chinese government's actions. In April of 1999, the communist government was detaining and persecuting thousands of Falun Gong practitioners for participating in activities as an unrecognized group.

President Clinton's Efforts to Advance Human Rights in China

The Clinton Administration had developed a comprehensive array of tactics and programs. These were aimed toward promoting democracy, human rights, and the rule of law in China. Their effects had been felt primarily along the margins of the PRC political system. He pressured China from without through openly criticizing the country's human rights record. He called upon the PRC leadership to honour the rights guaranteed in its own constitution, bring its policies in line with international standards, release prisoners of conscience, and undertake major political reforms. The U.S. government also provided funding for programs within China that helped strengthen the rule of law, civil society, government accountability, and labour rights. It had supported U.S.-based non-profit organizations and Internet companies that monitored human rights conditions in China. It enabled Chinese Web users to access Voice of America (VOA), Radio Free Asia, and other websites that were frequently blocked by the PRC government. Some experts argued that economic and diplomatic engagement with China had failed to set any real political change in motion. In this context, some contended, U.S. efforts to promote democracy and human rights had been largely ineffectual. Many policy makers argued that tangible improvements in PRC human rights policies should have been a condition for full economic and diplomatic relations with China as well as cooperation on other issues. Others countered that U.S. engagement policies helped to set conditions in place that were conducive for progress.

3.5: Conclusion

Human Rights, Taiwan and Tibet were major contentious political issues between both the countries. Human Rights violation was taking place all around China. Particularly the Falun Gong practitioners and activists were severely oppressed. All effort was made by the Chinese Governments to suppress the movement. Since 1979 TRA, the United States was committed to protect the Taiwan from any external aggression. Though President Clinton had propagated for One China policy, he had made it clear that Taiwan could not be occupied by using forces. From the pressure of the US Congress, the administration provided transit visa to Taiwanese President Lee Teng-hui to visit Cornell University in June 1995. This visit was both preceded and followed by Chinese military exercises in the Taiwan Strait. The United States Congress passed resolution to protect Taiwan. As a result two aircraft carriers were sent to the Taiwan Strait to protect Taiwan in March 1996. This military confrontation was averted. He also accepted Chinese sovereignty but raised concerns over reports of human rights abuses there. The White House did not want to see the Tibet issue bring about a further deterioration in the Sino-U.S. relationship. Clinton Administration's approach towards the major contentious political issues while dealing with China was more pragmatic in nature. American economic interests in China had heavily influenced the policy making during Clinton era. Thus, most of the policy responses of Clinton Administration resembled that of its predecessors.

Political Economy of Decision Making in the US

The President has to take into account a lot of considerations before taking any decision. A number of issues, personalities, various Business lobby, Human Rights lobby, decision made in the Congress influence Presidential decision.

4.1: Introduction

President of the United States has to take into account lots of consideration before taking any decision. Lots of other sources guided/influenced his /her policies. These sources range from his personality, his cabinet, congress, different departments, his policy advisers, principles of his party, media, public opinion, foreign governments, as well as different lobby groups working behind those issues around the world. Each president has an individual management style, and the precise pattern of foreign policy making differs from administration to administration as a result.¹ Compared with domestic policy, Congress and interest groups generally have a relatively smaller role in making foreign and military policy than does the President. Their role in foreign economic and military funding policies is somewhat larger, but not as large as their role in purely domestic policies. This occurs because the nature of foreign and military policy differs from the nature of domestic policies in ways that reinforce the power of the president.

Alexander Hamilton in *Federalist no.75* recognised that foreign policy was different from domestic policy because it required:²

1. Accurate and comprehensive knowledge of foreign policies
2. A steady and systematic adherence to the same views
3. A nice and uniform sensibility to national character
4. Decision, secrecy and despatch

¹Alexander L. George (1980), *Presidential Decision making in Foreign Policy: The Effective Use of Information and Advice*, Boulder, CO: West view.

²Koren O'Connor and Larry J. Sabato (2000), *American Government: Continuity and Change*, New York: Addison Wesley Long man, p.719

On each point, the president has an advantage over the Congress. Perhaps the most important source of power is the President's access to and control over information.

The President is powerful but not omnipotent in the field of foreign policy. International factors place limits on the power of the president. The foreign policy of the US is often criticised as simply a reaction to the policies of other countries. In addition, all Presidents face constraints on their power from Congress, the bureaucracy, the media and the public as well.³ Now it is important to discuss foreign policy making in the US during the Clinton Administration.

4.2: Decision Making in Economic Issues

In the Cold War time political relations prevailed over the economic relations. But the end of Cold War established the prevalence of economic relations. It became the main priority between the US relationships with China during the Clinton Administration. China was the state who had huge economy and was a major power in the Asian continent. The United States wanted a market for its goods and services as well as for its huge investment. As the quantum of trade and investment was quite large it became the basic reason behind Clinton Administration's main priority to strengthen economic relations with China.

Violations of U.S. Intellectual Property Rights

Section 182 of the Trade Act of 1974 was amended (also known as "Special 301"), required the USTR to identify "priority foreign countries" that failed to provide adequate and effective protection of U.S. Intellectual Property Rights (IPR), such as patents, copyrights, trademarks, and trade secrets, or denied fair and equitable market access to U.S. firms that relied on IPR protection.⁴ The USTR was directed to seek negotiations

³ Koren O' Connor and Larry J. Sabato (2000), *American Government: Continuity and Change*, New York: Addison Wesley Long man, P.720.

⁴ Wayne M. Morrison (2003), "China-U.S. Trade Issues" *Congressional Research Service*, The Library of Congress.

[Online: web] Accessed: 21/12/2009 URL: <http://www.fas.org/sgp/crs/row/IB91121.pdf>

with the priority foreign countries to end such violations and, if necessary, to impose trade sanctions if such negotiations failed to produce an agreement.

In April 1991, China was named as a “priority foreign country” under Special 301. The USTR began a Section 301 investigation in May 1991, claiming China’s laws failed to provide adequate protection of patents, copyrights, and trade secrets. In November 1991, the USTR threatened to impose \$1.5 billion in trade sanctions if an IPR agreement was not reached by January 1992. Last-minute negotiations yielded an agreement on January 16, 1992. China promised to strengthen its patent, copyright, and trade secret laws, and to improve protection of U.S. intellectual property, especially computer software, sound recordings, chemicals, and pharmaceuticals.

In June 1994, the USTR again designated China as a Special 301 “priority foreign Country,” because it had failed to enforce recently enacted IPR laws. In particular, the USTR cited the establishment of several factories in China producing pirated compact and laser disks, as an example of China’s “egregious” violation of U.S. IPR. In addition, the USTR stated that trade barriers had restricted access to China’s market for U.S. movies, videos, and sound recordings, and that such restrictions encouraged piracy of such products in China. On February 4, 1995, the USTR announced that insufficient progress had been made in talks with Chinese officials and issued a list of Chinese products, with an estimated value of \$1.1 billion, which would be subject to 100% import tariffs. However, a preliminary agreement was reached on February 26, 1995, and a formal agreement was signed on March 11, 1995. The new agreement pledged China to substantially beef up its IPR enforcement regime and to remove various import and investment barriers to IPR-related products.

On April 30, 1996, the USTR again designated China as a Special 301 “priority foreign country” for not fully complying with the February 1995 IPR agreement.⁵ According to the USTR, while China had cracked down on piracy at the retail level, it had failed to take effective action against an estimated 30 or so factories in China that were mass-producing and exporting pirated products. U.S. Officials called on the Chinese

⁵ Ibid.

government to close such factories, prosecute violators, and destroy equipment used in the production of pirated products. Further, the USTR stated that China failed to establish an effective border enforcement mechanism within its customs service to prevent the export of pirated products. Finally, the USTR indicated that China failed to provide sufficient market access to U.S. firms, due to high tariffs, quotas, and regulatory restrictions. Shortly after, the USTR indicated it would impose U.S. sanctions on \$2 billions worth of Chinese products by June 17, 1996, unless China took more effective action to fully implement the IPR agreement. On June 17, 1996, USTR Charlene Barshefsky announced that the United States was satisfied that China was taking steps to fulfil the 1995 IPR agreement. Barshefsky cited the Chinese government's closing of 15 plants producing illegal CDs and China's pledge to extend a period of focused enforcement of anti-piracy regulations against regions of particularly rampant piracy, such as Guangdong Province. The Chinese government also promised to improve border enforcement to halt exports of pirated products as well as illegal imports of presses used to manufacture CDs. Further, the Chinese government reaffirmed its pledge to open up its market to imports of IPR-related products. Finally, Chinese officials promised to improve monitoring and verification efforts to ensure that products made by Chinese CD plants and publishing houses are properly licensed.

The USTR stated that China had made great strides in improving its IPR protection regime, noting that it had passed several new IPR-related laws, closed or fined several assembly operations for illegal production lines, seized millions of illegal audio-visual products, curtailed exports of pirated products, expanded training of judges and law enforcement officials on IPR protection, and has expanded legitimate licensing of film and music production in China.

U.S. business groups continued to experience significant IPR problems in China, especially in terms of illegal reproduction of software, retail piracy, and trademark counterfeiting. It was estimated that counterfeits account for 15 to 20% of all products made in China and accounted for about 8% of China's GDP.⁶ Chinese enforcement

⁶ Ibid.

agencies and judicial system often lacked the resources needed to vigorously enforce IPR laws; convicted IPR offenders generally faced minor penalties. In addition, while market access for IPR-related products improved, high tariffs, quotas, and other barriers continued to hamper U.S. exports; such trade barriers were believed to be partly responsible for illegal IPR-related smuggling and counterfeiting in China. The piracy rate for IPR-related products in China was estimated at around 90%. Under the terms of China's WTO accession, China agreed to immediately bring its IPR laws in compliance with the WTO agreement on Trade Related Aspects of Intellectual Property Rights. In September 2002, the WTO members gave a positive review of China's new IPR laws related to the TRIPS agreement. However, U.S. government officials continued to hold that China's enforcement of its IPR remains inadequate.

Prison Labour Exports

Some analysts charged that the use of forced labour was widespread and a long-standing practice in China, and that such labour was used to produce exports, a large portion of which might be targeted to the United States. The importation from any country of commodities produced through the use of forced labour was prohibited by U.S. law, although obtaining proof of actual violations for specific imported products was often extremely difficult.

On August 7, 1992, the United States and China signed a Memorandum of Understanding (MOU) to ensure that prison labour products were not exported to the United States. However, U.S. disputed with China over its implementation of the MOU led to the signing of a "statement of cooperation" (SOC) on March 14, 1994, which included provisions which clarified procedures for U.S. officials to gain access to Chinese production facilities suspected of exporting prison labour products. President Clinton's May 1994 report to Congress on renewing China's MFN status stated that China had generally abided by the agreements on prison labour. However, the U.S. Department of State's *China Country Report on Human Rights Practices for 1998* stated that: "Although the signing of the SOC initially helped foster a more productive relationship between the

U.S. Customs and Chinese authorities, cooperation overall had been inadequate.”⁷ According to the 2001 State Department Human Rights report, between 1997 and 2001, the Chinese government allowed U.S. officials to conduct only one visit to a prison labour facility, and that eight other prison visit requests were still pending. The Chinese government contended that these facilities were re-education-through-labour camps, not prisons, and denied access to them under the prison labour MOU. On February 28, 2001, the U.S. Customs Service announced that it had seized and destroyed 24 million binder clips (valued at \$2 million) that were documented as having been made in China using prison labour.

MFN Status

Early in December 1991, at a debate in New Hampshire, Clinton said China’s access to the United States market should be closed entirely unless democratic changes were made by the end of 1992.⁸ On 3 June 1992, the last time Bush Granted China an unconditional renewal of its MFN status, Clinton called the White House action “another sad chapter in this Administration’s history of putting America on the wrong side of Human Rights and democracy”⁹. So from these coated statements it was believed that when Clinton would become the President of the United States, he might take tough action against Chinese trade and tough conditions before renewing MFN status to China. But President Clinton renewed the MFN status in 1993 by linking its renewal in 1994 to China's performance on Human Rights. This closely linking MFN status with Human Rights was perhaps mainly to satisfy Congress. One year later on May 26, 1994 however, despite the poor Human Rights record of China, the Clinton Administration not only renewed China’s MFN status, but also de-linked MFN and Human Rights. With the de-linking of trade from Human Rights, bilateral trade increased manifold.

⁷ Ibid

⁸ Jian Yang (2000), *Congress and US - China policy: 1989-199*, NY: Nova Science Publishers, Inc. p.114. See also Keith Bradsher, (1993), “Clinton Aides Propose Renewal of China’s Favored Trade Status”, *New York Times*, 25 May 1993, pp.A1, A2)

⁹ Jim Mann (1993), “Clinton seeking Way to end China Trade Wrangle”, *Los Angeles Times*, 9 May1993, P. A1, A2

Developments behind Policy Shift

Assistant Secretary of Defence for regional Security Affairs, Charles Freeman, with the effort of Winston Lord Assistant Secretary of State for East Asian and Pacific Affairs and the most senior China hand in the administration, drafted a China policy review, which were presented to the President at the end of August 1993. This policy review was later codified as the strategy of comprehensive engagement. Thus a high-level official meeting was expected. On November 19 and 20, 1993, Chinese President Jiang Zemin met with US President Bill Clinton during the informal APEC summit meeting in Seattle. The United States made lots of goodwill gesture to China before and after the meeting. But by the end of 1993, China had not made any progress on Human Rights. That's the reason why President Clinton closely linked China's MFN status to its Human Rights record. On the Chinese side President Jiang rejected this as interference to its internal affairs.

While US officials visited China in February 1994, Wei Jingsheng told them about the scope of America in Chinese telecommunications, power plants and transport sectors. He also informed that there won't be a lot of business. So there was question mark on the thousands of American jobs and billions of dollars in contracts.

In late April 1994, the Business Coalition for United States-China Trade gave President Clinton a petition signed by nearly 450 California-based companies. "Despite strong recovery elsewhere in the nation, California was still mired in recession..... The loss of (China's) MFN trade status would be an additional devastating blow to the California economy"¹⁰, the petition said. The Coalition focussed on California because it believed Clinton "absolutely" needed the state for re-election.¹¹ In early May nearly 800 major US companies and trade associations wrote about the loss of billions of dollars in business as well as thousands of US job loss. At this juncture Clinton Administration asked China to make some improvements on Human Rights. China responded by making some improvements like released an important democracy protester, gave visas to the families of certain dissidents, lifting restriction on Voice of America broadcasts and some efforts

¹⁰ Susumu Awanohara and Irene Wu (1994), "The China Game: Pro-and Anti-MFN Lobbies Put Pressure on Clinton", *Far Eastern Economic Review*, 12 May, p.16.

¹¹ Ibid

to ban exports on goods made of prison labour etc. So some symbolic measures were taken to protect human rights, promote democracy, by which Clinton Administration could claim victory.

In announcing his decision President Clinton said:

To those who argue that in view of China's human rights abuses we should revoke MFN status, let me ask you the same question that I have asked myself: Will we do more to advance the cause of human rights if China is isolated, or if our nations are engaged in a growing web of political and economic cooperation and contacts?¹²

There were lots of debates, discussion and resolutions were going in the Congress. But Max Baucus wrote that, "Revoking MFN status in trade was equivalent of dropping a nuclear bomb".¹³ So dropping MFN status to China would not only hurt China but also to the United States.

PNTR Status

Permanent Normal Trade Relations (PNTR) was signed into law on May 24, 2000 (H.R. 4444). The granting of PNTR with China allowed for unconditional, unlimited, permanent access for Chinese-made goods into the U.S. market and an end to the annual review of China's trade status. PNTR status also paved the way for China's entry in the WTO. China was voted in as a member on November 11, 2001 but became an official member one month later, December 11, 2001.

China's WTO Membership

On December 11, 2001, China became a member of the WTO. Many said the 1999 US-China bilateral trade agreement and the vote in Congress to permanently establish normal trade relations with China paved the way for China's WTO accession. Even though China was not a WTO member, the United States had granted China MFN trading status since 1979. Yet US law required annual renewal of China's trade status, a process that often became a focal point in Congress for protests over Human Rights issues, security concerns, and the growing US trade deficit with China.

¹² Thomas L. Friedman (1994), "U.S. Is to Maintain Trade Privileges for China's Goods: Clinton Votes for Business", *New York Times*, 27 May 1994, pp A1. A8.

¹³ Max Baucus (1994), "MFN Is Not the Way", *Washington Post*, 4 February 1994, p.A19.

To support China's WTO accession, the United States had to commit itself to non-discriminatory treatment by agreeing to make China's MFN status permanent by granting PNTR and thereby giving up the right to annual reviews. The fight to win passage of PNTR in the US Congress was a classic exercise in legislative coalition building. Well-timed endorsements—including that by Alan Greenspan and former presidents Gerald R. Ford, Jimmy Carter, and George H. W. Bush played a role in tipping the balance. Moreover, incorporating the Levin-Bereuter provisions to monitor China's performance on human rights, address harmful import surges, and ensured that China complied with all its commitments in the US-China agreement directly into the PNTR bill broke the tie between trade and Human Rights, while still providing critics with a mechanism for focusing attention on Chinese behaviour.

On November 13 1994, on the eve of APEC forum in Indonesia, the New York Times reported that the United States and China were entering into a final phase of long and heated negotiations over the terms for Beijing's entry into the World Trade Organization. The organization was to succeed the GATT on the New Year's Day of 1995. Thus, December 31 was considered the deadline for China to be a founding member of the new international trade body. In a summit meeting in Jakarta on November 12th with President Jiang Zemin, President Clinton reiterated that the U.S. government wanted the China to be admitted to the accord, but that Beijing first must take further steps to open its markets.¹⁴ Washington complained that China's tariffs remained too high and too numerous. It also pressed the Beijing authorities to dismantle trade barriers in the banking and finance sectors. Beijing's industrial policies, which focused on assisting essential industries like automobiles, telecommunications and petrochemicals, were criticised and questions were raised to whether the Communist leadership would adhere to commitments on market access. Most of all, It was strongly demanded that Chinese government's commitment to protecting intellectual property rights such as computer software, videos, and compact disks was strongly demanded.¹⁵ Indeed, during this period, an intense trade friction over the piracy problem was going on between the two countries.

¹⁴ Patrick E. Tyler, "China Pressing to Join Trade-Club," *New York Times*, 13 November 1994.

¹⁵ *Ibid.*

USTR Mickey Kantor repeatedly warned that unless Chinese piracy of American Intellectual Property Rights was stopped, Washington would enforce sanctions and would not support China's membership for the WTO.¹⁶ An important international economic background of the negotiations was that the service trade and protection of intellectual property became important negotiation agenda for the on-going Uruguay round session and conditions for China's entry became apparently heightened. A more direct point of consideration for the Clinton administration was that the US trade deficit with China was sharply rising from \$18 billion in 1992, \$23 billion in 1993 and \$30 billion in 1994 according to some US statistics.¹⁷

Responding to the America's attitude, China's Trade Minister Wu Yi bluntly accused at a news conference the United States of violating the "most important commitment" in the 1992 accord, which called on Washington to staunchly support China's bid to join the GATT.¹⁸ Despite the protest, China missed to be a founding member of WTO. The two governments however concluded an agreement over the protection of intellectual property rights on February 26 in 1995 and WTO entry negotiation anyhow resumed.¹⁹

The atmosphere for the negotiation worsened when China conducted a missile exercise near the offshore of Taiwan to discourage Taiwanese moves for independence. US Trade Representative Mickey Kantor testified at Congress that negotiations had indeed become delicate and difficult because of the missile exercises and human rights situation in China. Chinese Foreign Trade Minister, Wu Yi, shot back, saying "If some countries try to block China WTO accession on the basis of the military exercises that will not be popular and will fail to win the support of other countries."²⁰ Thus Madam Wu Yi protested the intrusion of political issues in economic negotiation.

¹⁶ "U.S. Blasts China on Copyright Violations Move Signal Administration Desire to Make Issue of GATT Membership," *The Washington Post*, 1 July 1994.

¹⁷ Patrick E. Tyler, "China Pressing to Join Trade-Club", *New York Times*, 13 November 1994.

¹⁸ Patrick E. Tyler, "New Dispute Imperils Trade With China", *New York Times*, 12 March 1995.

¹⁹ "Trade War Averted by U.S.-China: Beijing Would Protect Intellectual Property in Tentative Accord", *The Washington Post*, 26 February 1995.

²⁰ "Beijing offers olive branch over trade", *South China Morning Post*, 10 March 1996.

Moreover, opinions within the administration were also divided. While many State Department officials viewed China's entry into the World Trade Organization as a concrete example of how the two powers could work together on economic disputes and hoped to reach an agreement in 1997, the United States Trade Representative's office tended to take a far more hawkish view. It insisted that China should take radical steps to open its economy on what it called "commercially meaningful terms."²¹ The Government reported that the trade deficit with China rose in September to another record. The figure with China was \$4.73 billion and \$1 billion higher than the September deficit with Japan. Therefore it appeared for the President that there weren't enough supporting political forces for his decision to let China in the trade club.

After the APEC summit on 25 November, 1996 however, the Chinese government became more active in seeking its entry for the WTO. According to a senior official of US government, "China was thinking that the US was not serious about the China's WTO accession 1996 because of the election. " Now after the election they might believe that the US would not stand in the way of their entry to the W.T.O. on political grounds if their offer was sufficient."²² Indeed, in late January 1997, China made a new offer to abandon many of its largest trade barriers. Among the list of concessions, there were such proposals as the gradual elimination of export requirement for foreign companies in China, the reduction of local content requirement levels, and the scrapping of laws that bar many foreign companies from trading in China.²³

On March 20, with two other leading Democrats, Representative Richard A. Gephardt of Missouri, the House minority leader, introduced legislation that would require a Congressional vote before the Administration could agree to let China join the WTO. Gephardt claimed, "There were enormous implications of how this was done, for every

²¹ David Sanger (1996), "U.S. to Spur Beijing on Trade Group Entry", *New York Times*, 13 November 1996.

²² David Sanger (1997), "International Business: China Reported Ready to End Some Barriers", *New York Times*, 12 February 1997.

²³ Ibid

worker in America and every major company in America.”²⁴ Here, not only human rights but also labour unions’ interests were at stake. Labour unions had been concerned with a possible flood of labour-intensive products from China, such as textiles, toys, and footwear, after WTO entry and its effects on the job situation in the United States. Here human rights were connected with job problems.

The Republicans followed the Democrats’ lead. The House Speaker, Newt Gingrich, warned on April 30 that China’s favourable trading status depended upon how Beijing would handle the British colony’s transition to Chinese rule that was scheduled in July, 1997. Indeed economic statistics clearly indicated how Hong Kong was important. Hong Kong was the economic gate way to the unrivalled potential of the Chinese market. Already 40,000 Americans lived there and more than 1,000 American companies employed about 10 percent of Hong Kong’s work force. With 6.5 million people, Hong Kong was the world’s eighth-largest trading economy and America’s 11th -largest export market.²⁵

But what Gingrich and many other Congressmen in the United States had in mind were not simply concrete economic interests in Hong Kong. They had rather questioned how trustful a partner China could be in the international community. If Beijing did not live up to its commitments to preserve democracy, human rights and a market economy in Hong Kong, Gingrich said, “there would be serious long-term damage to our relations” and China’s relation with the rest of the world.²⁶

To some extent, the Clinton Administration, especially the US Trade Representative office, shared with the Congressional leaders an idea to use the WTO entry as a diplomatic tool, not only to improve the market access but also to enforce political and social change in China. In public, Washington demanded in purely economic terms, declaring that China must join the WTO on “commercially acceptable terms”, like every other nation.

²⁴ David Sanger (1997), “Trade Gap Grows, Complicating Visit By Gore to Beijing”, *New York Times*, 21 March 1997.

²⁵ Steven Erlanger (1997), “Hong Kong, China: Diplomacy; Uncle Sam’s New Role: Hong Kong’s Advocate”, *New York Times*, 2 July 1997.

²⁶ Ibid.

In the summer of 1997, many South East Asian nations fell into a contagious currency crisis and China became increasingly alarmed by its spreading pace. President Jiang Zemin visited to the United States and the two Presidents met on October 29th. Unfortunately, despite the fact it was the first state visit of a Chinese leader in a dozen years, they made little progress in narrowing differences over the terms for China's entry into the World Trade Organization.²⁷ At the press conference, the two leaders twice touched on the financial turmoil in Asia. The two Presidents agreed that Secretary of Treasury, Robert E. Rubin and Zhu Rongji had work together to "promote financial stability in Asia."²⁸ It was clear that caution for financial crisis restrained China to take a more bold trade policy.

The financial crisis continued to 1998, even as the date of Clinton's state visit to China approached. As for its macro policy, Treasury Secretary Robert E. Rubin praised China for maintaining the value of its currency and called it "an important island of stability" in a financially turbulent Asia.²⁹ But, when it came to trade policies and domestic economic reforms, China was not ready to make the changes necessary to join the World Trade Organization, Charlene Barshefsky, United States Trade Representative, said so on June 20 after two days of talks with Chinese officials.³⁰ In addition to the Asian financial crisis, China was in the midst of a politically risky revamping of state enterprises, which had raised unemployment. Some ministries and industries in what remains a largely state-run, bureaucratic economy worried about the rapid opening of ailing domestic industries to foreign competition, and an end to the monopoly positions of state-run commodity traders as well as banks, insurance companies and other service sectors.³¹ Since the Chinese were in no mood to hurry the WTO agreement, during his nine-day state visit to China from late July, President Clinton could not do much but to reiterate in his address

²⁷ "The China Summit", *New York Times*, 30 October 1997.

²⁸ John M. Broder (1997), "Summit in Washington: The Overview; U.S. and China Reach Trade Pacts but Clash on Rights", *New York Times*, 30 October 1997.

²⁹ Steven Erlanger (1998), "Citing Gains, Clinton Says He Will Make China Visit", *New York Times*, 27 May 1998.

³⁰ Erik Eckholm (1998), "China's Entry in World Trade Organization Is Called Unlikely", *New York Times*, 20 June 1998.

³¹ *Ibid.*

that China's economy still was burdened with complicated and overlapping barriers. President Clinton said he hoped that Beijing would make the difficult decisions needed to bring China into the World Trade Organization.³² The point of argument was not simply a request for more liberalized trade policy but the President demanded drastic reform to establish a rule-oriented holistic economic regime in China.

For those decisions, China obviously needed time to wait until Asian financial crisis blew over. But, they knew they did not have time. On a bitterly cold day in Beijing in early January in 1999, Zhu Rongji, the Chinese Premier, delivered Alan Greenspan, the Chairman of the Federal Reserve, a startling message. Zhu said that China was finally ready to offer huge opening of its markets in telecommunications, banking, insurance and agriculture in return for membership into the World Trade Organization.³³ Soon, the formal bilateral negotiations resumed and it culminated in Barshefsky's visit to Beijing in early March. The Chinese Government has exhibited a very serious attitude and strength of purpose that has helped to make this week particularly productive, "said the Trade Representative after her two-hour talk with Premier Zhu."³⁴ A senior researcher for the Central Government's Development and Research Center, Ji Chongwei explained the background. "If China doesn't become a member before the Seattle meeting later this year, the issue will drag on for years."³⁵ The next round of global trade talks were scheduled to open on November 30 in Seattle and it was believed that conditions for entry would be tougher at the new round. In addition, the year 2000 was a US Presidential Election year and predictably candidates would vie each other in showing how tough they could treat China. Therefore, there was a possibility that China had intended to conclude the WTO agreement during the scheduled Premier Zhu's trip to the US in April. However, despite of his high reputation as an economic reformer, Zhu was not quite welcomed in the United States.

³² John M. Broder (1998), "Clinton in China: The Overview; Clinton Tells Of Hopes and Risks On Trade", *New York Times*, 1 July 1998.

³³ David Sanger (1999), "How U.S. and China Failed to Close Trade Deal", *New York Times*, 10 April 1999.

³⁴ Elisabeth Rosenthal (1999), "U.S. Calls China Trade Talks 'Productive'", *New York Times*, 5 March 1999.

³⁵ *Ibid.*

On March 6, the New York Times reported that American security officials believed that in the 1980's Chinese spies had learned the American design of an advanced, small nuclear warhead, used for hitting multiple targets with a single rocket.³⁶ Reflecting Congressional anger over the suspicion toward China, Jesse Helms, a North Carolina Republican, and Ernest F. Hollings, a South Carolina Democrat, said they would move to stop any effort by the White House to help China become a member of the WTO.³⁷ Becoming concerned with assertions that China stole nuclear secrets, its questionable campaign contributions to President Clinton's 1996 re-election and worsening political repression in China, the Senate majority leader, Trent Lott said on April 7, "Letting China into the W.T.O. at this time showed how far this Administration was willing to go in an effort to salvage its failed policy of strategic partnership with China." Lott also argued that he was sceptical that even with its WTO entry, China would end what he said were its "predatory" trade practices.³⁸

After some hesitation to whether he should postpone a visit or not, Premier Zhu Rongji decided to go to the United States. Although the Chinese Prime Minister showed his courage, his counterpart did not. President Clinton, who had repeatedly made commercial diplomacy the centrepiece of his foreign policy, backed away. Distracted by Kosovo, he did not give clear instruction to his trade negotiators until very late in the talks about how much he wanted an agreement.³⁹ So, in the end, the WTO entry agreement was not concluded between the two Governments. Some officials expressed fears that any deal involving China would further divide Democrats, enrage labour unions and end up in a huge battle on Capitol Hill that the President would most likely lose.⁴⁰ Zhu also blamed US domestic politics for his failure to seal an accord with President Clinton.

³⁶ Erik Eckholm (1999), "Theft Report On Atom Data 'Unfounded,' China Says," *New York Times*, 7 March 1999.

³⁷ Eric Schmitt (1999), "Leading Senators Demand U.S. Limit Help For Beijing", *New York Times*, 16 March 1999.

³⁸ Katharine Q. Seelye (1999), "A Visit From China: The White House; China Pact Near; Clinton Outline Benefits for U.S.," *New York Times*, 8 April 1999.

³⁹ David Sanger (1999), "How U.S. and China Failed to Close Trade Deal", *New York Times*, 10 April 1999.

⁴⁰ Ibid.

But a strong pressure for the Clinton Administration came from a different quarter. As details of the concessions by China became disclosed, business executives began a campaign of E-mails and phone calls about how to make Clinton quickly finish the accord. Then the news of failure to reach a trade agreement came. Many businessmen became furious. Maurice Greenberg, the chairman of the American International Group, complained to Treasury Secretary Rubin that the Administration “had missed the train.”⁴¹ When the White House set up a briefing about the trade deal, the Administration encountered what one participant called “a firestorm.” Robert Kapp, the President of the U.S.-China Business Council, nearly shouted Gene Sperling, the President’s top economic adviser that the White House had shrunk from a deal that would bring billions of dollars to American businesses, simply because it feared an ugly fight on Capitol Hill. Sperling urged for patience, saying that the President would wait for the right deal and concluded, “We’re all in agreement here.” “No we’re not!” Kapp and several other executives yelled back.⁴² Indeed, the release of 17-page document on the China’s boldest trade concession helped galvanize support for its WTO membership. Same Robert Kapp said, “It had an electrifying effect, not only on business, but on many in Congress.”⁴³

Chinese officials became not only indignant that the United States had snubbed China’s trade concessions but also irritated that Washington had released the results of the negotiations midstream, and not in the context of a completed agreement. On May 7th, the New China News Agency even denied the authenticity of the document, “The so-called ‘list of agreements’ the U.S. side unilaterally publicized in newspapers and on the Internet does not accord with what actually happened.”⁴⁴ Indeed political repercussion in China was so intense on the Prime Minister’s failed trip despite his seemingly excessive compromises that Zhu Rongji was said to have offered his resignation upon his return to Beijing.⁴⁵ Key opponents of reaching an agreement were the Ministry of Information

⁴¹ David E. Sanger (1999), “How Push by China And U.S. Business Won Over Clinton”, *New York Times*, 15 April 1999.

⁴² Ibid.

⁴³ “China Disavows List of Trade Promises, U.S. Reported Concessions After Talk Failed”, *The Washington Post*, 07 May 1999.

⁴⁴ Ibid.

⁴⁵ “China Talks Resume After Delay, Barshefsky Cites Lack of Progress”, *The Washington Post*, 12 November, 1999.

Industry, which maintained China's telecommunications monopoly; agricultural interests; big state-owned enterprises, and some of the country's poorer, inland provinces, which all stand to suffer from trade liberalization in the short run.⁴⁶ In addition, a sudden accident of the NATO bombing of China's embassy in Belgrade on May 7, 1999 worsened the situation and US-China trade talks stalled indefinitely.

Both sides were, however, searching for a reason to resume talks, because a new round of WTO trade negotiations was supposed to begin on November 30th in Seattle. Clinton also regretted that the negotiation had stalled because of his indecision and knew the period before the next Presidential Campaign started would be the final moment for him to achieve an agreement. On July 16, 2000 China suddenly told U.S. officials that it was ready to hold bilateral trade discussions in Beijing.⁴⁷ Beijing was able to take the action because the United States deposited \$4.5 million in a Chinese bank account as part of compensation to the families of three Chinese killed during the NATO bombing.⁴⁸ On September 11th, President Clinton and his Chinese counterpart Jiang met face to face once again at the occasion of the APEC summit conference in Auckland, New Zealand. The meeting was held to end the chilled U.S.-China relations and confirmed the immediate and serious resumption of WTO entry talks.⁴⁹ Through the phone and Treasury Secretary Lawrence H. Summers' trip to China, Clinton repeated to Jiang and Zhu his serious intention to reach an agreement.⁵⁰ Finally on 15th November, 2000 U.S. and Chinese negotiators agreed on the terms for Beijing's entry into the World Trade Organization and a signing ceremony was held at the Ministry of Foreign Trade and

⁴⁶ "U.S. China Extend Trade Negotiations, Telecommunications, Textiles at Issue", *The Washington Post*, 13 November, 1999.

⁴⁷ "Resumption of U.S.-China Trade Talks Signals Thaw After Embassy Bombing," *The Washington Post*, 27 July, 1999.

⁴⁸ In Advance of Jiang-Clinton Meeting, China Relaxes Its Stance", *The Washington Post*, 05 September, 1999.

⁴⁹ "Clinton, Jiang Meet In Effort to Ease Tense Relations, Little Progress Made on Trade Issues", *The Washington Post*, 12 September, 1999.

⁵⁰ "U.S.-China Trade Talks in Limbo", *The Washington Post*, 28 October, 1999. See also, "U.S. Pushes China for Deal as WTO Date Looms", *The Washington Post*, November 03, 1999.

Economic Cooperation in Beijing.⁵¹ China was voted in as a member on November 11, 2001 but became an official member one month later, December 11, 2001.

4.3: Decision Making in Political Issues

The Taiwan Issue

President Clinton had no intention to dramatically change US policy towards Taiwan. His Administration was not committed to continue Taiwan policy set by previous administration which provided opportunity for the Congress to shape the first Clinton Administration's policy towards Taiwan. The Congress also played decisive role to grant visa to Taiwanese President Lee Teng-hui. In his second term Clinton showed more leadership on Taiwan policy. While he continued to sell defensive weapons to Taiwan, publicly stated the *Three No's* policy and opposed the state-to-state theory of Lee Teng-hui.

Arm Sales to Taiwan

During his first term, Congress tried to strength the power of the TRA. Senator Frank H. Murkowski added an amendment in July 1993 declaring TRA supersedes the 1982 *Shanghai Communiqué* which concerned US arm sale to Taiwan, which was later accepted by the Senate Foreign Relations Committee. President Clinton was not happy with the amendment as it might create instability in Taiwan Strait.

The Administration's objection and lobbying efforts had not much effect. A substitute of the original amendment was passed by the joint conference of the Senate and House of Representative in 29th April 1994. This amendment meant increased arms sale and sending Cabinet-level appointees to Taiwan.⁵² Later in September and October 1994, the administration agreed to supply enough equipment to meet the security needs of Taiwan explaining that more submarines to Taiwan might add a new destabilising element in the Taiwan Strait.

On 4 May 1994, Lee passed Hawaii on a trip to Costa Rica. Lee had requested to spend

⁵¹ "China, U.S. Agree on Historic Trade Deal, Marathon Talks Ease WTO Entry", *The Washington Post*, 15 November, 1999.

⁵² Congressional Records, 19 May 1994, p .s6109.

the night in Honolulu and play golf. But the State Department rejected this as the administration had banned any high-level official visit. Finally he was given permission for 90 minutes refuelling stop which he rejected. Perhaps this was done by the Clinton administration to please the Chinese ambassador, as he had protested the presence of Lee on the American soil.⁵³ After this incident the S.Res 148 was passed by the congress which was meant to Taiwanese participation in the U.N and to have Cabinet-level exchanges with Taiwan.

On 1st July 1994 Senator Hank Brown and Paul Simon proposed the amendment which was known as the visas-for-Taiwanese-officials amendment. Subsequently when the amendment was passed by the Senate but could not by the House of Representatives. During this time Taipei lobbying efforts focused on lifting the ban on visits to the United States by the ranking Taiwanese officials and to rename its representative office in the US.

Against this dramatic backdrop, Taiwan Policy Review was quietly announced in an off the record briefing on 7th September 1994 while the Congress recessed. This policy review allowed high level US economic and technical officials to visit Taiwan, allowed Taiwanese official to meet some high ranking US officials, letting Taiwanese officials enter the US in transit to other countries and changing the Taiwanese office in US, to support its entry into GATT or WTO. But this did little to alter the nature of bilateral relations between Washington and Taipei. As a result Taiwanese Premier Lien Chan was allowed to stop over in Los Angeles in May 1994. With these little changes Congress was not happy. Despite its disappointment Taipei seemed encouraged by this policy review and doubled its lobbying efforts. On 28 September, Senator Murkowski and other five senators submitted S.Res, 270, calling for closer ties between the US and Taiwan. But much was changed after the 1994 mid-term election. Republicans took control over the Congress. Along this Conservatives strengthened their power in Congress. The Speaker of the House was also a long-time critic of China. So Taiwan could expect more and more support from the US Congress.

Congressional pressure and lobbying efforts by Taipei as well the American Business

⁵³ Ibid. p. s 6110.

groups bore fruit in early December 1994 when US Transportation Secretary Federico Pena visited Taiwan. Though he was on an unofficial visit, he did official meetings with Lee Teng-hui. A major driving force for upgrading the relations was American economic interests in Taiwan which Pena pushed hard. Now it became much harder for the Clinton administration to walk the tightrope.⁵⁴ Congress and the strong Taiwan lobby were successfully squeezing the administration, giving the administration little space for manoeuvre. This also angered Beijing and she turned down Pena's visit to Beijing which had been scheduled for January 1995.⁵⁵

Lee's Visit to the United States

Taiwanese President Lee Teng-hui's Private visit to the United States in June 1995 was the most important issue in US-China relations during Clinton Administration.⁵⁶ It was perhaps the most important issue since the two countries normalised their relationship in 1979. This visit triggered serious crises between two countries and across the Taiwan Strait.

At the beginning of 1995, the new House Speaker Newt Gingrich expressed his support for a visit to the United States by a Taiwan president and for the readmission of Taiwan to the UN. Taiwan supporters on Capitol Hill subsequently launched their assaults on the Clinton administration's Taiwan policy. Congress members criticised the Clinton administration for refusing visa to Lee. The Clinton administration tried to resist congressional pressure. But on 2nd May, the House passed H. Con. Res. 53 by 396-0 and one week later on 9th May, the Senate joined the House and approved the resolution, 97-1. In spite of unwillingness and fearing mandatory legislation, the administration granted visa to Lee to visit his former alma mater at Cornell University.

This decision of the Clinton Administration created crises in US relations with China and across the Taiwan Strait. Beijing postponed its Defence Minister's visit to the US and suspended missile control talks with the US. In July and August 1995, Beijing conducted ballistic missiles tests into water north of Taiwan in the East China Sea. In October 1995, it conducted large-scale naval ground and air landing operation exercise in the coastal

⁵⁴ Jian Yang (2000), "Congress and US China policy: 1989-199", NY: Nova Science Publishers, Inc. p.205.

⁵⁵ Ibid

⁵⁶ Ibid, p.206.

areas of Fujian and Zhejiang. On 5 March 1996, Beijing announced it would stage guided-missiles test in the period 8-15 March.⁵⁷

Looking at the offensive behaviour of Beijing, Congress moved to reaffirm its commitment to supporting Taiwan. It passed a non-binding resolution expressing the sense of Congress that the US was committed to the military stability of the Taiwan Strait and that US military forces should defend Taiwan. By 21st March both the House and Senate passed the resolution. But the Clinton Administration had pre-empted these congressional moves by sending two aircraft carriers to the Taiwan Strait on 12th March.

Taiwan policy in President Clinton's second term

During President Clinton's second term there had been some major differences with regard to China policy. Nevertheless, Congress had been consistent in supporting Taiwan after the crisis. On the one hand the Republican Party's core constituency, the corporate, pro-business wing, would like to promote American commercial interests in China. On the other hand, other key groups within the party, such as the Christian Coalition and anti-Communist neoconservatives, would like the US to take a much tougher, more confrontational approach in dealing with China. There could not be any coherent and effective opposition to Clinton's policies.

President Clinton in his return visit to Beijing in 1998 to the Jiang Zemin's 1997 visit to the US, articulated *Three No's* policy (which has been explained in Chapter-3). This became a high point of the conflict over the Taiwan issue in the Congress. Taiwan was also not happy with this policy decision.

Like previous Administrations, the Clinton Administration kept supplying arms to Taiwan. In May 1999, the Pentagon announced millions of dollars worth of arms deal including intelligence electronics warfare equipment with Taiwan. Beijing complained about these sales. But she was more or less got used to such kind of sales. More cause of concern was Lee's description of Taiwan and China as two virtually equal states. There was nations-to-nations or at least special state-to state relations between China and Taiwan. In response to this Clinton order to stop officials visits with Taipei as well as to

⁵⁷ Ibid, p. 210.

stop all arms sales to Taiwan. Congress was divided on these issues. President Clinton on 11th September 1999 at APEC summit told to Jinag that there was no change in US policy. On 15th September President Clinton opposed Taiwanese membership in the UN. Members of the US Congress were also convinced that full support to Taiwan would put strains on already troubled US-China relation.

The Issue of Tibet

The Clinton Administration's position on Tibet mirrored that of its predecessors in that it accepted Chinese sovereignty while raising concerns over reports of human rights abuses there. The White House did not want to see the Tibet issue bring about a further deterioration in the Sino-U.S. relationship. During the Dalai Lama's next visit to the U.S. in April 1993, Vice-President Al Gore received the Tibetan leader in his office. President Clinton arranged to "drop in casually" for a few minutes while the Dalai Lama was there so China would not take offence at an official audience with the U.S. head of state.⁵⁸ The 50-minute meeting with Gore marked the first time that a senior U.S. official had allowed the Dalai Lama to enter the White House through the front door and discuss Human Rights issues at length. The Dalai Lama's spokesman said Clinton promised to help the Tibetans, but the White House attempted to play down the meeting, claiming that Clinton had merely expressed his support for greater respect for Human Rights in China while noting the U.S. government's position on Tibet's status as a part of China.⁵⁹

Meanwhile, the situation in Tibet remained volatile. On May 24, 1993, the largest demonstration since 1989 swept through Lhasa. The crowd of some 2,000, whose slogans leaned heavily toward "Chinese, go home" and "Free Tibet," was eventually broken up peacefully by Chinese security forces who confronted them in full riot gear. However, although the Tibetan capital saw a number of subsequent smaller acts of rebellion, Beijing stayed its hand because it was awaiting Washington's decision on China's MFN status. The wait ended on May 28, 1993, when President Clinton signed an executive order renewing

⁵⁸ During his visit, the Dalai Lama was also the first visitor to Washington's newly opened Holocaust Museum. This also angered Beijing. (For more see "Lukewarm Welcome: Dalai Lama Gets Cautious Reception in Washington," *Far Eastern Economic Review* [FEERJ, 13 May, 1993, p. 13.]

⁵⁹ "Clinton Meets Dalai Lama, Pledges Help", *Washington Post*, 28 April, 1993, p. A9.

China's MFN status for one year. It was conditioned on China's making "overall, significant progress" with respect to human rights, including the protection of "Tibet's distinctive religious and cultural heritage." Clinton became the first U.S. president to make improvement of the Human Rights situation in Tibet a condition for renewal of the privileged trade status.⁶⁰ For the first time in decades, Tibet was given a prominent place on the agenda of bilateral U.S.-China relations and integrated into U.S. China policy.

This new tack came about owing to congressional pressure, which had again played a significant role in pushing an American president into taking a tough line on Chinese oppression in Tibet. Earlier that May, about 200 members of Congress had sent the president a letter complaining of the lack of Human Rights progress in China and Tibet and urging him to adopt the tougher stance. Another such letter pressed him to play an active role in bringing the Chinese and Tibetans to the negotiating table.⁶¹

But even after Clinton had modified the U.S. position on MFN renewal, Congress continued to press him on the Tibet issue. The funding authorisation bill for the State Department, the U.S. Information Agency, and related bodies passed by the Senate Foreign Relations Subcommittee on June 19 included language sure to arouse controversy with China. It required the USIA to establish an office in Lhasa for the purpose of promoting discussion on conflict resolution and human rights. It further required the administration to make periodic reports on the state of bilateral relations between the U.S. and the Tibet government in exile, led by the Dalai Lama. Moreover, the bill also contained the first strong criticism by the Senate of the population transfer of Han Chinese into Tibet.

In 1995, legislators successfully pushed through several measures on Tibet, notably one that established a Voice of America Tibetan service and another that declared Tibet to be an occupied country. This was also the first year in which the newly Republican majority Congress could flex its muscles and pursue the party's long-promised assault aimed at reducing funding for and eliminating foreign aid programs, agencies, and the like. In a

⁶⁰ In a further step, the White House appealed to Beijing in November 1993 to begin substantive negotiations with the Dalai Lama or his appointed representatives. (For more see "Don't Flinch on Tibet", *New York Times*, 11 March, 1994.

⁶¹ "Clinton Faces Prickly Issue of Tibet in Debate over China's Trade Status", *Wall Street Journal*, 10 May, 1993, p. A7.

sweeping bill it passed on May 15 that was meant to forward this agenda (the 23 to 18 vote was along party lines), the House International Relations Committee took the opportunity to include language that referred to Tibet as an occupied sovereign country under international law." It also condemned China for both its continued domination of Tibet and its deteriorating human rights record there. The measure also mandated the appointment of a special U.S. envoy with ambassadorial rank to Tibet. Finally, in a further rebuke the legislation included a provision that would restrict U.S. participation in the Fourth World Conference on Women to be held that September in Beijing unless Taiwanese and Tibetan delegates were invited to attend.

The bill was still pending in September when the Dalai Lama came to the U.S. in an effort to get the U.S. to increase its pressure on China to relax the various restrictions it had placed on Tibet. The Dalai Lama met again with the vice-president on September 13, and again the president declined to meet him formally, choosing instead to "drop in" on the meeting. The use of this tactic aimed at placating China did not go down well with the Senate. The legislators, who had unanimously passed a resolution on September 8 welcoming the Dalai Lama to the U.S. and calling on the president to meet with him, saw the president's refusal to meet the Tibetan leader formally as bowing to the will of Chinese leaders. Indeed, Congress was growing increasingly frustrated with what it saw as Chinese intransigence on human rights issues. That December 13, it passed a joint resolution criticising Beijing's record in this area, citing the case of political dissident Wei Jingsheng as well as the flap over the Chinese government's appointment of its own successor to the Dalai Lama's religious counterpart, the Panchen Lama. A compromise bill to revamp and downsize the foreign affairs bureaucracy passed the following day by an 82 to 16 vote also called for the president to appoint a special envoy to Tibet and refuse to visit China until there had been a marked improvement in respect for Human Rights in both China and Tibet. Despite the opposition of Democrats, who objected to the inclusion of an invitation to Taiwan's president, Lee Teng-hui, to visit the U.S., and the threat of a presidential veto, the bill finally cleared the Senate on March 28, 1996. The president followed through on his veto threat on April 5,

asserting that the bill contained "many unacceptable provisions that would undercut U.S. leadership abroad."⁶²

The White House had largely refrained from comment concerning the Human Rights situation in Tibet because the U.S. government was attempting to develop a closer and more complex relationship with the Chinese government. But the U.S. legislature's moves on Tibet had only succeeded in making Beijing even more suspicious of Washington's intentions; in the Chinese government's eyes, Washington's professed concern over Human Rights issues in Tibet is little more than a pretext for the American government to provide support to the independence movement.

The Human Rights Issue

Human rights issues in China continued to be a thorn in Sino-American relations. Most of Americans had seen the Chinese government as oppressive and as a government that denies its own people Human Rights. It appeared that President Bill Clinton's visit to China in 1998, where he spoke live to the Chinese people about Human Rights and Tibet, did little to change how Americans had seen the Chinese government's record on human rights or the Chinese government's actions. In April of 1999, the communist government was detaining and persecuting thousands of Falun Gong practitioners for participating in activities as an unrecognised group.

In 1994, Clinton supported China's MFN trading status with no apparent concern for China's continuing Human Rights abuses. Clinton, like Bush before him, argued that the best way to promote human rights in China was to "engage" Beijing. That is, Human Rights could be encouraged by bringing China into the family of rights-guaranteeing states through trade and diplomatic contact. Clinton's critics attributed this fact to the conservative estimates that, the U.S. would lose about 10-15 billion dollars if it withdrew China's MFN status⁶³. Shoring up United States economic interests by maintaining and

⁶² (For more see 104th Congress, *Calendars of the U.S. House of Representatives, 1996; Facts on File* 56:2889, April 18, 1996, p. 261.)

⁶³ John Drumbrell (1997), *American Foreign Policy: Carter to Clinton*, New York: St. Martin's Press.

expanding overseas markets trumped human rights concerns. It is, after all, using Clinton's catchphrase, the economy stupid.

Neier, director of Human Rights Watch, charged the Clinton Administration with enacting a new double standard. The Clinton Administration willingly denounced Human Rights violations in "pariah states or the governments of countries that were not considered politically or economically important," but refused to condemn repressive governments deemed to be economically or strategically important for American interests⁶⁴. A foreign policy that stressed trade expansion and the opening of foreign markets at the expense of human rights could be seen in the domain of the international sale and exportation of weapons. Although the Clinton Administration professed that arms sales would be contingent upon the adherence to Human Rights standards, the U.S. share of world arms sales rose from 42 to 70 percent from 1990 to 1993. The purpose of foreign aid then is to subsidise domestic business, open foreign markets, and provide employment for domestic workers.

Calculations based on estimates gathered from the Annual AI Human Rights Reports put the number of death sentences imposed at 2,662 and the average execution rate at 1,625 per year. 42,589 death sentences were imposed and 26,002 executions were carried out from 1990 to 2005. This number was significantly lower and demonstrated the challenge of accurately assessing the number of death penalty cases. Irrespective of the difficulty of gathering accurate data, the enormity of the death penalty problem was revealed even by the conservative estimates that put the average number of executions at about 1,625 per annum.

Falun Gong

In 1999, the "Falun Gong" movement gave rise to the largest and most protracted public demonstrations in China since the democracy movement of a decade earlier. Falun Gong had been largely suppressed or pushed deep underground in China while it had thrived in overseas Chinese communities and Hong Kong. The spiritual exercise group had become highly visible in the United States since 1999. There were an estimated several thousand

⁶⁴ Aryeh Neier (1996-1997), "The New Double Standard," *Foreign Policy*, Vol.105, pp.91-101.

Falun Gong practitioners in the United States and similarly large numbers of adherents in other countries with large ethnic Chinese populations. The movement had become highly public in the United States. Members regularly stage demonstrations, distribute flyers, and sponsor cultural events. In addition, FLG followers were affiliated with several mass media outlets, including Internet sites. These include *The Epoch Times*, a newspaper distributed for free in eight languages and 30 countries (with a distribution of 1.5 million); New Tang Dynasty Television (NTDTV), a non-profit Chinese language station based in New York with correspondents in 50 cities worldwide; and Sound of Hope, a northern California radio station founded by FLG members.⁶⁵ These media outlets usually reported on a variety of topics but emphasised human rights abuses in China, particularly against Falun Gong members, and publish mostly negative or critical reports on PRC domestic and foreign policies. Two U.S. Internet companies founded by Chinese Falun Gong practitioners, Dynaweb Internet Technology Inc. and Ultra Reach Internet Corporation, had been at the forefront of overseas Chinese and U.S. efforts to breach the PRC “Internet firewall.” They each developed software to help Chinese Web users to circumvent government censorship and access websites which the PRC government was attempting to block. The United States Broadcasting Board of Governors had provided funding to these companies in order to help sustain their efforts in enabling Web users in China to freely access the Internet, including Voice of America and Radio Free Asia websites.⁶⁶

PRC officials in the United States were engaged in a public relations blitz to counter FLG efforts. In 2001, over one dozen U.S. mayors reported pressure from PRC officials urging them not to give public recognition to Falun Gong.⁶⁷ In 2002, according to Falun Gong practitioners, PRC consulates sent approximately 300 letters to local U.S. officials, including mayors and the governor of Washington State, asking them not to support Falun Gong.⁶⁸ The *Wall Street Journal* wrote: “Chinese diplomats spend a lot of time

⁶⁵ (For more see URL:<http://www.falundafa.org>.)

⁶⁶ Thomas Lum (2006), “Internet Development and Information Control in the People’s Republic of China”, CRS Report RL33167, Congressional Research Service: Library of Congress.

⁶⁷ Helen Luk (2001), “China Steps up Efforts Against Sect”, *The Patriot-News*, 9 July, 2001

⁶⁸ Steve Park (2002), “Officials Ask U.S. Cities to Snub Sect”, *The Washington Times*, 8 April, 2002.

writing letters and making visits to governments, local newspapers and television outlets, politicians and others...warning them about the movement.”⁶⁹

U.S. Government Actions

Since 1999, some Members of the United States Congress have made many public pronouncements and introduced several resolutions in support of Falun Gong. For six consecutive years (1999- 2004), the U.S. Department of State has designated China a “country of particular concern” for “particularly severe violations of religious freedom,” including its persecution of Falun Gong. An ongoing ban on the export of crime control and detection instruments and equipment to China satisfies the requirements of P.L. 105-292, the Freedom from Religious Persecution Act of 1998, which authorises the President to impose sanctions upon countries that violate religious freedom.⁷⁰

As much of the movement’s core following was silenced or physically and mentally broken in Chinese jails by the summer of 2001, Falun Gong adherents abroad began to bolster their already intensive lobbying and public relations efforts with legal action. On behalf of plaintiffs in China, they have filed numerous civil complaints in U.S. federal courts against PRC officials for violation of the Torture Victim Protection Act⁷¹, the Alien Tort Claims Act⁷², and other “crimes against humanity.”⁷³ Falun Gong followers in the United States have also filed several lawsuits claiming that PRC embassies and consulates have been responsible for harassment, eavesdropping, and destruction of their property.⁷⁴ Since November 2001, over 100 non-Chinese (Americans, Canadians, Europeans, Australians, and Asians) had gone to Beijing to demonstrate in support of Falun Gong by unfurling banners and chanting slogans at Tiananmen Square. They have

⁶⁹ Pui-Wing Tam Ian Johnson and Li Yuan, (2004) “China’s Diplomats in U.S. Act to Foil Falun Gong Protesters”, *Wall Street Journal*, 24 November 2004.

⁷⁰ Falun Dafa Information Center, *Falun Gong News Bulletin*, 24 April, 2006.

⁷¹ US Code, 1991, TITLE 28, PART IV, CHAPTER 85, Legal Information Institute: Cornell University Law School.

⁷² (For more see URL:<http://www.sangam.org/JANAKA/ATCA.htm>.)

⁷³ Under U.S. law, foreigners accused of crimes against humanity or violations of international law can be sued in federal court by U.S. citizens or aliens in the United States. The accused individual must be served a civil complaint in the United States (For more see sources of both footnotes 74 and 75).

⁷⁴ Neely Tucker (2002), “Falun Gong Followers in the U.S. Sue China”, *Washington Post*, 4 April, 2002.

reported being immediately attacked by police, detained, and then expelled from the country.

China's crackdown on Falun Gong affected U.S. interests regarding international religious freedom, human rights, trade relations, and the treatment of U.S. permanent residents and citizens. P.L. 105-292, the *Freedom from Religious Persecution Act of 1998*, created a U.S. Commission on International Religious Freedom and authorizes the President to impose sanctions upon countries that violate religious freedom. On the basis of the Commission's findings, the Department of State identified China as a "country of particular concern" for particularly severe violations of religious freedom.⁷⁵ P.L. 106-286 (H.R. 4444) extended PNTR status to the PRC but criticised China's denial of religious, spiritual, and other freedoms, including the persecution of Falun Gong adherents, and established the U.S.-China Commission to monitor Human Rights in China.

4.4: Conclusion

President Clinton's policy on Taiwan, Tibet and Human Rights was also great cause of concerns for all the sources of foreign policy. Binding by the TRA 1979, the US Congress has always tried to protect Taiwan from any external aggression, much to the discomfort of China. But the US Congress compelled the President to take appropriate steps. Regarding Tibet, Tibetan leader, the Dalai Lama asserted many a times that they do not want independence from China. On the contrary, he has demanded an autonomous region within China so that they can preach their own Buddhism philosophy. But any action by the US Administration like special envoy to Tibet has been criticised by the China as interference in her internal affairs. There is also huge number of Human Rights violations in China. The international organisations like Amnesty International have complained many times about the issue. Because of the pressure from human right activists and the US Congress, the Clinton Administration in 1993, linked the renewal of MFN status, which was due next year to its progress on Human Rights and Tibet issue. But in 1994, all these conditions were removed from the criteria of MFN.

⁷⁵ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "Report on International Religious Freedom, 2001 – China."

Conclusion

After more than a decade of stalled negotiations, President Clinton signed a landmark bilateral trade agreement with China in 1999. This agreement lowered many trade barriers between the two countries, easing access to the Chinese market for U.S. products which included automobiles, banking services and motion pictures. Under this agreement, the United States was to support China's membership in the WTO. But the agreement could not be brought into effect as China had not accepted into the WTO till then. However, the U.S. Congress granted Permanent Normal Trade Relations status to China, a move which was initially resisted by many lawmakers. The opponents were concerned about two things: the condition of human rights in China and the potential impact of imports from the China on U.S. industries. Despite these concerns, Congress passed another bill permanently normalizing trade relations with China in September 2000, which was later signed by President Clinton in October the same year. The passage of the Bill was considered a major breakthrough for the Clinton administration in strengthening US- China relations.

During the Cold War, political issues dominated US-China relations. After the end of World War II, both countries were engaged in several wars directly or indirectly whether it was Korean War or Vietnam War. This confrontational relationship went on till 1969 when a border clash occurred between China and USSR, leaving China alone in the international realm and culminated in Sino-US detente. Sino-Soviet rift gave the US an opportunity to develop cooperative relations with China. The US was looking for a major partner in Asia which would be suitable for its economic interest and also serve as a hedge against the USSR. The Ping-Pong diplomacy and the secret visit of Henry Kissinger to China gave the much required boost to US-China relations. Normal relations between these countries were established after the 1972 joint communiqué signed by the two governments. But this normalcy could not be sustained for long as the US enacted the Taiwan Relations Act in 1979. China was enraged with the TRA. This gave way to signing of another communiqué to strengthen US-China relations in 1982. While

relations improved, the 1989 Tiananmen Square incident erected yet another obstacle. China was criticised in all quarters of the world for suppressing a peaceful democratic movement. Economic sanction was imposed by the US on China. But the US human rights concerns and democratic sentiments were short-lived. To promote its economic interests, the Senior Bush administration renewed the MFN status for China in 1991.

The Clinton Administration was the first post-Cold War administration in the United States. In the new post-Cold War context, importance of China was to be determined first by the Clinton administration. During his presidential election he had criticised his predecessor's policy towards the China. On several occasions he had criticised Chinese violation of human rights and protective economic policies. A number of warnings from various countries and human rights organisations failed to persuade China to take appropriate steps to improve its human rights records. Human Rights violence was increasing day by day. Chinese atrocity in Tibet and on Falun Gong activists was increasing too. China was violating Intellectual Property Rights as well. Question on Taiwan remained an irritant.

However, economic issues presented a mixed picture of cooperation and differences. During his election campaign, Bill Clinton severely criticised the Bush policy towards China. He preached for not renewing the MFN status to China. But when he assumed his office on 20 January 1993, China appeared quite happy. The Chinese thought that Clinton would not go against China, as they had funded his election campaign. As expected, President Clinton renewed MFN status to China, although imposing some conditionality in relation to its renewal in 1994. This action of the Clinton administration was criticised as going back to the policies of Senior Bush Administration during his election campaign. But in the year 1994 President Clinton renewed MFN status to China by de-linking it from human rights issues. This continued till 1999 when China was granted Normal Trade Relations status. On November 15, 1999, U.S. and Chinese officials announced that a bilateral trade agreement relating to China's WTO bid was reached. After this trade agreement, the next question was granting PNTR status to China. When a bill on this regard was introduced in the US Congress, there were lots of debate and discussion in the Congress. Questions were raised on the eligibility of China's accession to WTO. But

President Clinton made it clear to the Congress that China was to get the WTO membership, even if they did not grant PNTR status. So it was better on their part to grant PNTR status and take the advantage of enormous trade opportunities with China. Keeping in view the benefits of trade, the US finally granted PNTR status to China in October, 2000. By the time he left office, Bill Clinton facilitated China's membership in the WTO and the China joined the trade organisation on 11 December 2001.

However, trade with China was hardly favourable to the United States. During his entire administration the United States suffered huge trade deficit with the China. But the opportunity of trade and investment with the China was such that it could not have been ignored. In 1992, 10 million Americans were unemployed, new job creation was slow, and wages were stagnant. Other nations' high trade barriers limited the ability of American businesspersons and farmers to sell their goods abroad and hampered economic recovery. It had huge resources but needed destinations where this could be invested. During this period China opened up its economy. The US realised the economic importance of China. Hong Kong was the economic gateway to the unrivalled potential of the Chinese market. Already 40,000 Americans lived there and more than 1,000 American companies employed about 10 percent of Hong Kong's work force. With 6.5 million people, Hong Kong was the world's eighth largest trading economy and America's 11th-largest export market. There was nonetheless huge trade deficit for the United States. The trade deficit rose from \$6 billion in 1989 to nearly \$84 billion in 2000. But the quantum of trade was important. US-China commercial relations expanded substantially. U.S.-China trade rose from \$17.8 billion in 1989 to \$ 116.4 billion in 2000 the last year of the Clinton Administration. Thus economic interest was the main priority for the Clinton administration in charting out his policy towards China.

But several contentious political issues like Taiwan, Tibet and Human Rights were irritants in US-China ties. The role and status of Taiwan in the US foreign policy strategy had never been a constant and consistent factor. It had been changing periodically in accordance with the ups and downs of the US policy towards China. But the US reiterated over several times that there was only one China and that China could incorporate Taiwan into it only by peaceful means. Several times China used force to

threaten Taiwan and the US issued serious warnings to Beijing. Washington's relations with several Taiwanese leaders occasionally annoyed the Chinese government.

While in 1994 the Taiwanese President Lee Teng-hui was not granted a transit visa to the United States, in June 1995 the situation changed and he was allowed to visit the Cornell University. In his speech, he emphasized the international status of Taiwan, triggering a wave of rhetorical attacks from Beijing, followed by missile exercises in north and south of Taiwan. China's motivation was to warn Washington against further support for Lee and to deter Lee from continuing his perceived moves towards Taiwan's independence. To protect Taiwan according to the promise of Taiwan Relations Act of 1979, the US sent two fighter planes near to the sea shore of Taiwan. Military confrontation seemed a possibility but was finally averted.

Americans had earlier warmer feelings toward Taiwan than toward China. Americans tended to see China, unlike Taiwan, as a threat to the U.S. interests. Many more Americans saw Taiwan as a closer ally or friend than China, and since 1996 approximately 40 percent of Americans believed that the United States should use military forces to help defend Taiwan from a Chinese attack. While the US-China Taiwan relationship could go in a number of different directions, it was likely that there would be no significant improvement in ties for a considerable period and that, in fact, further crisis and confrontations would occur over an ever-expanding range of differences. Economically, relations with both China and Taiwan was important for the US. The US depended on Taiwan to invest its capital and create jobs for its own people. On the other hand it could not estrange its relations with China for similar economic reasons.

On the issue of human rights, President Clinton during his visit to China in 1998 praised the effort of Chinese Government to promote Human Rights. He also gave the assurance of three NO's to China. By this three no's policy he wanted to emphasize how Chinese economy was important for the economic development of the United States as compared to human rights. There was a wide range of human rights problems in China. Suspects could be placed in re-education camps for up to four years without trial. Reports of

torture while in official custody were common. Practitioners of Falun Gong faced mass arrests, beatings, and even killings. The government considered Falun Gong as an “evil cult.” Internet censorship was the rule. There were as many as 30,000 Internet police. They blocked any Internet content that they thought was sensitive or inappropriate. AIDS outreach workers complained of harassment and arrest when they spoke too openly about the epidemic. However, the US overlooked these human rights violations on account of its economic interests.

On the issue of Tibet Clinton administration’s position mirrored that of its predecessors. It accepted Chinese sovereignty while raising concerns over reports of human rights abuses there. The White House did not want to see the Tibet issue bring about a further deterioration in the Sino-U.S. relationship. But on the other hand, China's rule over Tibet had grown increasingly repressive ever since President Clinton de-linked trade and human rights from China's Most Favoured Nation trading status in May 1994. In the 1990s, particularly, after China ceased to be important for the US in balancing the Soviet power, the US had given considerable attention to Tibet and the Dalai Lama. Chinese leaders naturally resented the American position on the Tibetan affairs, which they considered as interference in their internal affairs.

During his state visit to Washington in October 1997, Chinese President Jiang Zemin stated that the Tibetans had no culture. Addressing six non-governmental organisations he said that Beijing liberated Tibetans from serfdom bordering on slavery and put them on the path of freedom and prosperity. But the Tibetans were not happy with their so-called liberation. Already 1.6 million Tibetans had lost their lives resisting Chinese re-education of Tibetans.

During the Dalai Lama's visit to the U.S. in April 1993, Vice-President Al Gore received the Tibetan leader in his office. President Clinton arranged to “drop in casually” for a few minutes while the Dalai Lama was there so China would not take offence at an official audience with the U.S. head of state. This meeting marked the first time that a senior U.S. official had allowed the Dalai Lama to enter the White House through the front door and discuss human rights issues at length.

On May 28, 1993, when President Clinton signed an executive order renewing China's MFN status for one year, it was conditioned on China's overall, significant progress with respect to human rights, including the protection of Tibet's distinctive religious and cultural heritage. It was for the first time in decades that Tibet was given a prominent place on the agenda of bilateral U.S.-China relations and integrated into Washington's China policy. During the early years of the Clinton Administration, Congress also began considering measures to establish the position of a U.S. Special Envoy for Tibet, with ambassadorial rank. In 1995, legislators successfully pushed through several measures on Tibet, notably one that established a Voice of America Tibetan service and another that declared Tibet to be an occupied country. The decision of the Chinese government to become a direct player in the ancient spiritual rites of Tibetan Buddhism had several implications for Tibet's political future and for U.S.-China relations.

While the Washington was quite protective, the White House largely refrained from comments concerning the human rights situation in Tibet generally and actions of the Chinese government there particularly, because the U.S. government was attempting to develop a closer and more complex relationship with the Chinese government. But the U.S. legislature's moves on Tibet only succeeded in making Beijing even more suspicious of Washington's intentions. In the Chinese government's eyes, Washington's professed concern over human rights issues in Tibet was little more than a pretext for the American government to provide support to the independence movement.

Policy making regarding the US approach towards China was an extremely complex process. Diverse factors influenced the policy process. President of the United States is the most powerful president of the world, but even he had to take into account lots of consideration before taking any decision. His policies were guided/influenced by various sources. These sources ranged from his personality, his cabinet, congress, different departments, his policy advisers, principles of his party, media, public opinion, foreign governments, as well as different lobby groups working behind those issues around the world. Each president also had an individual management style, and the precise pattern of foreign policy making differed from administration to administration. Compared with

domestic policy, Congress and interest groups generally had a relatively smaller role in foreign policy making. Their role in foreign, economic and military funding policies was somewhat larger, but not as large as their role in purely domestic policies. This occurred because the nature of foreign policy differed from the nature of domestic policies, hence reinforcing the power of the president.

The USTR played an important role in designating China the priority foreign country status. Over the years, it investigated into the various IPR violations of China. It found that China had failed to enforce IPR laws. There were hundreds of Chinese firms producing pirated products. China failed to provide sufficient market access to U.S. firms, due to high tariffs, quotas, and regulatory restrictions. China failed to establish an effective border enforcement mechanism within its customs service to prevent the export of pirated products. There were billions worth of Chinese products which would be subject to 100% import tariffs. In the fear of U.S. sanctions on billions worth of Chinese products, China made some symbolic progress on IPR issues. U.S. business groups continued to experience significant IPR problems in China, especially in terms of illegal reproduction of software, retail piracy, and trademark counterfeiting.

While granting MFN and PNTR status to China, the president played an important role. There was also huge pressure from the US business community. Their billions worth of trade was in stakes. MFN, PNTR, as well as membership of WTO to China would also open up her economy. Opening up the Chinese market for free trade was the main concern for the US business community. So President Clinton had to take into account all these concerns for granting MFN and PNTR status to China. Though the Congress was reluctant for Chinese membership of WTO, it was also convinced by the economic importance of China for its economy. All those bills objecting to China's MFN and PNTR status failed over the year. Keeping in mind the free trade with China, the US Congress passed the bilateral agreement on trade in November, 1999 and the PNTR bill in September, 2000. The November 1999 US-China WTO agreement was a major boost for the US economy. On the other hand the PNTR status to China made it easier for the WTO membership.

President Clinton's policy on Taiwan, Tibet and Human Rights was also great cause of concerns for all the sources of foreign policy. Binding by the TRA 1979, the US Congress had always tried to protect Taiwan from any external aggression. While granting visa to President Lee or sending two aircraft to Taiwan Strait for preventing the Chinese attack the US Congress played the lead role. There was pressure from the Chinese side not to rescue Taiwan from its attack. But the US Congress compelled the President to take appropriate steps. Regarding Tibet, there were millions of Tibetan supporter around the world. Tibetan leader, the Dalai Lama had told several times that they did not want independence from China. He had demanded an autonomous region with in China so that they could preach their own Buddhist philosophy. But any action by the US administration like special envoy to Tibet had been criticised by the China as interference in her internal affairs. There was also huge number of human rights violations in China, whether it was Falun Gong issues or prison labour or the re-education camps. By the human right violations in China thousands of people had already died and many more were facing the Chinese atrocities. The international organisations like Amnesty International have complained many times about the issue. Because of the pressure from human right activists and the US Congress, the Clinton administration in 1993, linked the renewal of MFN status to China in 1994 with its progress on human rights and Tibet issues. But in 1994, all the human rights and Tibet conditionality were removed from the criteria of MFN.

The present study shows that economic factors ultimately dominated the US policy decisions regarding the country's policy towards the China. While political differences over issues, such as Taiwan and Tibet were not insignificant, successive US Presidents tried their best not to allow these issues to hamper America's economic relations with the China. American Presidents and other political leaders certainly focussed on normative issues as well as China's human rights performance and selected measures for promoting democracy. However, sufficient care was taken not to derail trade and investment relations. The study thus vindicates that the hypotheses raised earlier are correct.

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