

CURRENT HISTORY

September 2003

“Relations between China and the United States are perhaps the best they have been since 1989. . . . What accounts for this seemingly dramatic transformation?”

Changing Course on China

ELIZABETH ECONOMY

In the immediate aftermath of his election in November 2000, President George W. Bush proclaimed China a strategic competitor and asserted that US policy in Asia should be reoriented toward American allies in the region, including Taiwan. Consensus within the administration on how to implement this new policy, however, remained elusive.

Indeed, for much of the early tenure of the Bush White House, the administration seemed divided on how best to approach China. The US trade representative and members of the State Department preached the virtues of engagement with the mainland while the Pentagon formulated its own policy to enhance US relations with Taiwan. Some within the administration went so far as to place the mantle of the former Soviet Union on China, calling the People's Republic the next great threat to US security. Within months after Bush took office, an ugly altercation over a US spy plane, a sizeable arms sale to Taiwan, and aggressive talk of American missile defense increased tensions markedly.

Nearly three years later, relations between China and the United States are perhaps the best they have been since 1989. President Bush appears to be following in the footsteps of his predecessors in recognizing both the importance of China to US foreign policy interests and the benefits of a more proactive approach to the mainland. Apparent divisions within the Bush administration over how to approach China have resolved themselves, at least temporarily, in favor of a more engagement-oriented policy.

What accounts for this seemingly dramatic transformation in US policy toward China? Above all else, the evolution in policy reflects a new set of strategic realities that have confronted America

since September 11, 2001. The events of September 11 caused the Bush administration to reorient its international priorities, both diminishing the centrality of China in US foreign policy as a potential long-term threat and offering a new and important opportunity for the two countries to cooperate.

Soon after September 11, when the Bush administration began its campaign to enforce Iraqi compliance with United Nations weapons inspections, US officials actively courted the Chinese leadership. The administration first sought China's support for stepped-up inspections of Iraq's weapons arsenal, then for a UN resolution authorizing military action against Iraq. In the process, the administration turned its agenda with China on its head. More recently, the nuclear crisis on the Korean peninsula has reinforced the importance of China to US strategic interests while opening a new avenue for cooperation. For the United States, China has become an essential partner in meeting its new geostrategic challenges.

China's leaders, in turn, have recognized an opportunity to use these new strategic realities to meet their own fundamental objectives: stability in the Sino-American relationship to ensure continued economic modernization, and the maintenance of China's own domestic security. As Chinese President Hu Jintao has argued, the importance of the United States to China's economic development requires a flexible and accommodating posture that keeps US-China relations on an even keel.

This does not mean that significant policy differences between the two countries have disappeared, or that this partnership will continue indefinitely at its current level of mutual accommodation. The Sino-American relationship remains fragile and continues to require high-level intervention to ensure its stability. Critical differences still mark the manner in which the two countries

ELIZABETH ECONOMY is a senior fellow and director of Asia studies at the Council on Foreign Relations.

approach international relations generally, as well as specific issues such as Taiwan, missile defense, and human rights. In addition, President Bush does not make China policy in a vacuum. Differences within the administration over relations with China remain. An active congressional lobby on China and Taiwan, while quiescent for most of 2002 and 2003, may again become energized in an effort to redefine US–China policy.

THE FIRST SIX MONTHS

During the presidential campaign, candidate Bush set the tone for a distinctly new China policy. He promised to refocus US attention in the region away from the mainland and toward Japan, South Korea, and Taiwan. The Bush team stressed that these East Asian powers were democratic and capitalist and thus natural allies of the United States. Candidate Bush also referred to China as a strategic competitor, emphasizing its human rights abuses and role in the proliferation of missile technology.

While this rhetoric received significant media attention, subtle hints also signaled a degree of continuity with the previous administration's policies. Candidate Bush argued that the United States had to remain deeply engaged on the trade front with China, noting that the development of an entrepreneurial class and the advent of the Internet were cornerstones in a process of long-term political liberalization in China and that American farmers would benefit from China's entry into the World Trade Organization. Bush even reiterated the classic engagement line: "I think if we make China an enemy, they'll wind up being an enemy."

The first testing ground for the new administration and its approach to China came less than three months after Bush assumed office. In late March 2001, a US Navy EP-3 surveillance aircraft flying near China's Hainan Island collided with a Chinese fighter jet. The Chinese pilot was lost at sea and the EP-3's flight crew was forced to make an emergency landing on Hainan. It was not until April 4, five days after the accident, that diplomatic exchanges occurred.

This was a tense and difficult time, with many members of Congress calling for tough action and some policy analysts predicting military conflict between China and the United States. Once China opened the door to US diplomats, however, President

Bush moved quickly to effect a resolution. On April 5, Secretary of State Colin Powell issued a statement of "regret" that progressed to "sorry" and "very sorry" by April 7. On April 11, the US flight crew departed Hainan to return to the United States. In the aftermath of the incident, the consensus in the United States was that President Bush had handled a difficult situation well by preventing the conflict from escalating. Still, some conservative policy analysts criticized the administration for appeasing Chinese misbehavior. They argued too that the strategy President Bush adopted represented a victory for Secretary of State Powell and National Security Adviser Condoleezza Rice over Vice President Dick Cheney and Secretary of Defense Donald Rumsfeld.

Still, the EP-3 incident, as well as the initial difficulty in reaching and negotiating with senior Chinese military and party officials, provided the rationale that China hawks within the administration needed to

For the United States, China has become an essential partner in meeting its new geostrategic challenges.

take a series of significant steps. The Defense Department broke off all informal and regular military-to-military contacts, noting that such contacts would have to be approved on a case-by-case basis. The administration announced an arms sale package to Taiwan worth as much as \$4 billion that included up to eight diesel submarines and four guided-missile destroyers. It cited as justification China's continued missile buildup opposite Taiwan and the mainland's refusal to renounce the right to use force to reunify with Taiwan. For the first time, the Defense Department allowed Taiwanese military officials to participate in courses at its Hawaii-based think tank, the Asia-Pacific Center for Security Studies.

Meanwhile, discussions of the Bush administration's plans for missile defense, which the Chinese regarded as extremely threatening, filled the news media. And when asked whether he would use military force to defend Taiwan in case of a Chinese attack, the president said, "Whatever it takes to help Taiwan defend itself." This assertion caused great consternation in mainland China, where it was perceived by some as dropping the American commitment to "strategic ambiguity" (whereby the United States had refused to discuss various scenarios in which conflict between the mainland and Taiwan might emerge in order to preserve the full range of options for US action).

Yet even as the security relationship clearly deteriorated, Bush did not permit the EP-3 incident to

become entangled with other areas of the Sino-American relationship, such as China's impending entry into the World Trade Organization. Moreover, the manner in which the EP-3 incident itself was handled demonstrated that, whatever the administration's rhetoric, the White House was committed to keeping its relationship with China on track and to preventing tensions in the security realm from spilling over into other arenas. In fact, during the summer of 2001 Secretary of State Powell pursued a noticeably more engagement-oriented approach than others within the administration, visiting the People's Republic and elucidating a new foundation for US dialogue with China dubbed the "Three C's": candid, cooperative, and constructive. Thus, for much of the early part of the Bush administration's tenure, China policy proceeded along two distinct tracks: one directed by the Department of Defense and vice president's office and a second navigated primarily by the State Department.

AFTER SEPTEMBER 11

The devastating terrorist attacks on the World Trade Center in New York and on the Pentagon in Virginia caused the United States to reorient radically its foreign policy priorities. The central focus shifted from promotion of free trade, democracy, and stability to a global war against terrorism. No longer was the Bush administration preoccupied with defining the next Soviet-like menace; it needed to identify terrorist cells throughout the world.

For Sino-American relations, this transformation in US foreign policy had two important implications. First, China policy became simply one of many issues rather than a top preoccupation for the administration, Congress, and the media. In a world in which America's physical integrity had been so violently breached, concern over the potential economic and security threat posed by China greatly diminished. Second, September 11 provided a clear opportunity for China to establish common interest with the United States on the latter's number one priority: combating terrorism.

China initially hedged its bets, calling for the United States to support China in battling terrorists in Xinjiang, Tibet, and Taiwan. Just one week after the attacks, government spokesman Zhu Bangzao remarked that "the United States has asked us to help it fight terrorism. Equally, we have reasons for asking the United States to lend us its support and understanding in our struggle against terrorism and separatism. There can be no double standards. We are not suggesting any horse trading; but China and

the United States have a common interest in opposing the Taiwanese independence movement which constitutes the main threat to stability in the [Taiwan] Strait."

China soon amended its request to ask for assistance only in fighting the terrorist threat in Xinjiang Autonomous Region, perhaps realizing that equating Al Qaeda with separatist movements in Taiwan and Tibet would be poorly received by many in the United States. Still, China reiterated its concerns that America establish concrete proof of Osama Bin Laden's guilt, that any military strike it might carry out accord with UN rules, and that any action taken be in the long-term interest of world peace and development. Since September 11, the Bush administration has generally given China high marks for its help in tracking down terrorist financing, cooperating on law enforcement, and providing humanitarian aid to Afghanistan.

But, even as China and the United States began to forge new bonds on the issue of global terrorism, Taiwan remained a sticking point. In March 2002, for example, the US Taiwan Business Council hosted in the United States Taiwanese Defense Minister Tang Yiau-ming and other military officials—including US Deputy Secretary of Defense Paul Wolfowitz—thereby violating an undeclared prohibition against meetings between senior Taiwanese and senior US officials. During the meeting, moreover, Wolfowitz repeated President Bush's earlier controversial statement that the United States would do "whatever it takes" to defend Taiwan from military strikes by China. Wolfowitz's affirmation that "China is not an enemy" was lost in the firestorm that his other rhetoric provoked.

At the same time, the Defense Department's Nuclear Posture Review, a summary of strategic planning for America's nuclear weapons over the next decade, was leaked to the media. The document noted that a conflict between China and Taiwan could lead to the use of nuclear weapons by the United States. This added to the growing tension in Sino-American relations. Congress, too, always an active player on Taiwan issues, became energized by the Bush administration's more proactive Taiwan policy. On April 9, 2002—the twenty-third anniversary of the Taiwan Relations Act—the House of Representatives established the Taiwan Caucus. One of the forum's primary goals was to promote US military ties with Taiwan. (The 1979 act guarantees continued trade and cultural relations with the island and provides assurances for Taiwan's security.)

Beijing was quick to respond to the Defense Department's increased attention to Taiwan. In reply to Wolfowitz's remarks, Foreign Ministry spokeswoman Zhang Qiyue stated, "The comments of the senior US defense official seriously violated the clear-cut promises laid out in the three joint communiqués [that have framed Sino-American relations] and moreover rudely interfered in China's internal political affairs." In addition, Beijing denied the destroyer the *USS Curtis Wilbur* a port call in Hong Kong for early April, and threatened to cancel the impending visit of then Vice President Hu Jintao later in the month. Thus, only weeks before Hu's visit to the United States, the Pentagon's priority on enhancing ties with Taiwan at the expense of relations with the mainland threatened yet again to derail the Sino-American relationship.

SETTING A NEW AGENDA

While the war against terrorism opened the door to the creation of a new foundation for Sino-American relations, the most significant factor in the evolving relationship was the Bush administration's almost singular focus on Iraq. In working to secure backing for a US-led attack on Iraq, the Bush administration arrived at an entirely new agenda with China. Beginning in April 2002 with the visit of then Vice President Hu Jintao, the White House moved quietly and effectively to set the stage for a newfound unity in US-China relations.

The first sign of this emerged during Hu's visit. Both before and after the visit, the White House downplayed the contentious issues of human rights, Taiwan, and weapons proliferation. Although these concerns came up during a session between Vice President Cheney and Vice President Hu, the thrust of the meetings was positive. One high-ranking but unidentified White House official said: "Mr. Hu is bright, amenable, and very pleasant . . . he is a pleasure to do business with." Another senior administration official offered even higher praise: "He can come across as warm and even flexible, yet gives nothing away. I can see the day when Mr. Bush feels he can pick up the phone and call Mr. Hu. I don't think he has ever quite felt that way with [President] Jiang Zemin. They are of different eras."

Just one month after Hu's visit, Pentagon hawks, who had defined China as the next Soviet Union, were flying to the People's Republic to discuss conditions for restoring military-to-military contacts. Senior administration officials no longer identified China as a strategic competitor but rather as Secre-

tary of State Powell had—as a participant in a "candid, cooperative, and constructive" dialogue. Deputy Secretary of Defense Wolfowitz began to speak of the need to engage China.

In August 2002 the Bush administration labeled the East Turkestan Islamic Movement—a small group committed to the independence of China's Xinjiang region—a terrorist organization. Beijing, which had long claimed connections between Al Qaeda and ethnic Uighur separatists in Xinjiang, welcomed the move. Perhaps most telling, the Bush administration also indicated in August that it would grant President Jiang Zemin his long-sought invitation to President Bush's ranch in Crawford, Texas, an invitation previously extended only to President Bush's closest perceived allies, such as British Prime Minister Tony Blair and Russian President Vladimir Putin. Moreover, the administration virtually ignored the release of a long-anticipated report by the congressional US-China Security Review Commission in fall 2002, which widely condemned China for its indirect sponsorship of rogue states through the sale of missile technology and called for a range of new sanctions. The report was an embarrassment for an administration intent on making a new friend in China.

China responded positively to the US steps to improve relations. In late August 2002, the Chinese government issued a new set of regulations governing the export of missile technology and reacted only moderately to strong separatist rhetoric by Taiwan's leader, Chen Shui-bian, and a visit to the Pentagon by a senior Taiwanese defense official. In October Beijing also announced regulations to control material and technology for biological weapons and took steps to improve the situation of a few political dissidents, including AIDS activist Wan Yanhai, who was permitted to establish his own non-governmental organization to combat AIDS.

On the issue of greatest importance to the United States—reining in any Iraqi program to develop weapons of mass destruction—China supported the United States in its initial effort to press for more aggressive sanctions. It voted in favor of UN Security Council Resolution 1441, which warned Iraq that it would face "serious consequences" if it did not comply with UN weapons inspections. Prime Minister Zhu Rongji insisted that "Iraq must cooperate unconditionally with the United Nations" on weapons inspections. "At the same time," he continued, "we must respect the sovereignty and territorial integrity of Iraq. If arms inspections do not take place, if there is not clear proof and if there is

no authorization from the Security Council, there cannot be a military attack on Iraq.”

As the United States pressed for an additional resolution authorizing the automatic use of force in the face of Iraqi noncompliance, China stood with France and Russia in opposition to the proposal. But it did so much less forcefully and publicly than its Security Council partners; there was nothing to be gained from unnecessarily antagonizing the United States, particularly in the midst of such a positive overall bilateral relationship. In return, China escaped the far more vocal criticism the United States directed at France and Russia.

Iraq engendered a new US approach toward China, but it has been the crisis on the Korean peninsula that has served to reinforce the importance of a US–China partnership. In October 2002, North Korea admitted that it had not forsaken its nuclear program, triggering a crisis in US–North Korean relations and setting off shock waves throughout the rest of East Asia. The United States and China had long professed “peace and stability on the Korean peninsula” as a common policy goal. Yet rarely had the policy been put to such a test, and the two countries soon found themselves articulating significantly different approaches to the resolution of the crisis.

China, like Japan and South Korea, favored a strategy that engaged North Korea, offering economic incentives for compliance. The United States argued for a much tougher policy, possibly involving sanctions and not ruling out the use of force. China also supported North Korea’s desire to resolve the issue through bilateral US–North Korea negotiations; the United States insisted on multilateral talks. As North Korea pushed the envelope, withdrawing from the nuclear Non-Proliferation Treaty, the United States sought a resolution within the UN Security Council condemning North Korea for its actions. But China resisted resorting to the United Nations, believing that doing so would only isolate North Korea further and put China in the awkward position of having to ally itself openly with either North Korea or the United States.

Despite their different policy prescriptions, the United States and China continued to work together behind the scenes at the behest of the United States. Some Chinese scholars within elite policy circles also began to suggest that China needed to reevaluate its position, arguing that a nuclear North Korea posed a threat to China. In February 2003, China shut down an oil supply line to North Korea for three days—ostensibly due to “technical problems”

but more likely in an effort to signal to North Korea that its belligerent approach was costing it China’s support. Soon thereafter, China brokered an agreement between the United States and North Korea to hold three-way talks in which China would be the third participant. While the negotiations produced no tangible results, the United States and China had moved their relationship to a new level of partnership in the process and agreed to continue to work together to resolve the crisis.

MARGINALIZED: HUMAN RIGHTS, TAIWAN, TRADE

After 1989, the issues that defined the Sino-American relationship were human rights, Taiwan, and trade. These concerns no longer dominate the bilateral agenda. Securing stability on the Korean peninsula, jointly fighting terrorism, and meeting US objectives in Iraq, as well as China’s desire for continued stability to ensure economic growth, are now the dominant factors in the relationship.

This transformation in the bilateral agenda has been marked by substantive changes in policy. For the first time since 1989, the United States in April 2003 did not pursue a resolution at the UN Human Rights Commission in Geneva condemning China for its human rights practices. The United States has been noticeably quiet about human rights violations that otherwise would have given rise to comment from the White House, including China’s decision to prevent labor activists in Liaoning province from meeting with US diplomats and foreign reporters, and the continued imprisonment without counsel of long-time American resident Yang Jianli, a prominent democracy activist who illegally entered China to observe mass labor protests in northeast China. Whereas previously the Bush administration might have exploited Beijing’s initial mismanagement of the SARS crisis as an opportunity to criticize the regime, at least publicly, the Bush team instead congratulated the Chinese leadership on its handling of what was feared might become a global epidemic.

With regard to Taiwan, the Bush administration continues to act as the island’s primary interlocutor in international forums over the objections of the People’s Republic: supporting Taiwan’s accession to the World Health Organization (blocked by China) in the midst of the SARS crisis, for instance, and backing Taiwan as it wrangles with Beijing over its formal name within the World Trade Organization. The United States continues to promote military relations with Taiwan through exchanges and the sale of advanced weaponry.

Yet the administration has taken steps to reassure Beijing of its commitment to a one China policy, moving beyond previous US administrations to state definitively that America does not support Taiwan independence. Beijing, in turn, has begun to develop policy proposals that might persuade the Bush administration to reduce its commitment to Taiwan. In October 2002, for example, President Jiang proposed withdrawing some of the several hundred missiles targeted at Taiwan in exchange for US cutbacks on arms sales. Although the administration has yet to reply, Bush has reportedly asked his staff to develop a formal response. At the same time, within some quarters of China's elite, growing economic integration and personal links between the mainland and Taiwan have begun to foster a new sense of confidence concerning the eventuality of reunification.

In meetings between US and Chinese officials, Taiwan remains an important matter, but there is little evidence of the rancor that marked bilateral exchanges on the issue prior to September 11. In June 2003 at the Group of Eight summit in Evian, France, Hu Jintao—who replaced Jiang as president this March—stated that he appreciated President Bush's declaration not to support Taiwanese independence.

Unlike human rights and Taiwan, trade issues typically have had an ameliorative effect on Sino-American relations. China's accession to the World Trade Organization in December 2001 was celebrated both in China and the United States as signaling significant future trade and economic opportunities. America is China's largest export market, with overall exports from China to the United States last year totaling more than \$100 billion.

Still, many in the American business community and within the US trade representative's office have begun to express concern with a growing trade deficit that, according to US Trade Representative Robert Zoellick, will exceed \$100 billion in 2003. In several critical areas such as agriculture, telecommunications, and finance, Zoellick and various China watchers have noted an increasing number of bureaucratic impediments to foreign access to China's markets.

In addition, while successive US administrations had felt comfortable with Prime Minister Zhu Rongji and his commitment to effective implementation of China's World Trade Organization obligations, his retirement in April 2003, as well as the elimination of the Ministry of Foreign Trade and Economic Cooperation, has left some uncertainty in the trade relationship. In May 2003, the United States sanc-

tioned a major Chinese conglomerate, NORINCO, for transferring dual-use technology to an Iranian company known to produce missiles. (The Chinese government's muted response lent weight to the US claim.) Thus, although trade remains one of the pillars of the Sino-American relationship, it is possible that friction will increase over time, particularly if China's WTO implementation proves problematic. Indeed, the United States is the third-largest source of foreign direct investment (FDI) in China after Hong Kong and the Virgin Islands, through which FDI from a number of countries flows. (In 2002, total US FDI contracted totaled more than \$7 billion.)

WHAT NEXT?

Even as China and the United States continue to strengthen their bilateral relationship by working closely on issues of global security and downplaying traditional rifts, their recent accommodation may well prove ephemeral. Fundamental divisions persist. The United States continues to desire, and work toward, evolution in China's political system. Many in China still perceive America as a significant obstacle to China's growing status as a regional, if not global power.

The uncertainty generated by the recent leadership transition in China and the potential for a new policy agenda in Beijing could also open the door to significant change in China's approach to the United States. Former President Jiang Zemin continues to exercise power behind the scenes, often in conflict with Hu Jintao. While unlikely, it is not impossible that policy toward the United States could fall victim to elite power politics as one side or the other attempts to play an anti-US/nationalism card in hopes of currying popular support. President Hu's new emphasis on slowing down the pace of economic reform to redress the vast social inequities that emerged over the course of Jiang's tenure might also contribute to a slowdown in the implementation of China's trade commitments and a consequent downturn in Sino-American relations.

Important opportunities remain, however, for strengthening the foundation of the relationship and helping it endure beyond the current, potentially transitory accommodation that has resulted from new geostrategic realities. Cooperative ventures in areas where common interest exists naturally, such as public health and the environment, should be fostered. Even more critically, the administration should seek opportunities to advance Sino-American relations in the areas most difficult to negotiate: security, human rights, and Taiwan.

In the security realm, the Department of Defense should move quickly to reestablish military-to-military relations. Although the EP-3 incident reinforced the importance of maintaining open channels of communication and fostering military exchange, the Pentagon has yet to follow through on President Bush's directive to restart these exchanges. American military officers must still obtain approval for every meeting or exchange with their Chinese counterparts. This is inefficient and does little to help develop the open dialogue and personal relationships that can prove effective for crisis management as well as longer-term understanding of each country's security priorities and approaches. Military contacts are particularly critical as the United States and China continue to work closely on a highly sensitive security issue such as North Korea.

With regard to human rights, the new accommodation in Sino-American relations offers the Bush administration the opportunity to call directly on President Hu to embrace a more aggressive program of rights protection. The United States is already cooperating, both directly and indirectly, with the Chinese government on law enforcement and the development of the rule of law. Recent high-profile cooperation in dismantling a major drug-trafficking network in Asia and North America, for example, may mark a breakthrough for future cooperation on law enforcement. Various US and NGO efforts focus on the training of Chinese judges and lawyers, cooperation on intellectual property enforcement, and support for more open media in the hopes of assisting enforcement. The State Department's Bureau of Human Rights, Democracy and Labor in particular has mounted a variety of ambitious initiatives designed to advance the cause of human rights, rule of law, development of NGOs, and freedom of expression.

The administration should also renew the dialogue on human rights at the highest level. While the long-stalled dialogue on human rights between the State Department and the Chinese Foreign Ministry resumed formally in December 2002, it has failed to produce follow-up visits or any tangible

results, ostensibly because of personnel shuffling within China. The United States should make it clear to Beijing that dialogue and action on human rights are as important a part of the bilateral relationship as discussions on restoring direct military-to-military relations or providing additional assistance to combat terrorism.

Finally, the administration appears to be successfully navigating the often treacherous waters of cross-strait politics. As the White House presses forward with various security initiatives in Asia, including the restationing of troops in South Korea and Japan and the development of missile defense, administration officials should take the opportunity to consult and even cooperate with the People's Republic. If the United States pursues a missile defense architecture that permits targeting of Chinese missiles, for example, early consultation with China to establish mutually acceptable limits on the number of Chinese missiles deployed in response would be extremely useful in avoiding a potential regional arms race and

a downward spiral in US-China relations. In the spirit of the new Sino-American relationship, China has indicated that, while it is concerned

In working to secure backing for a us-led attack on Iraq, the Bush administration arrived at an entirely new agenda with China.

about the development of theater missile defense, it is willing to conduct "constructive dialogue" on the issue. The only aspect of a potential US missile defense system that China considers non-negotiable is the inclusion of Taiwan behind the shield.

For the foreseeable future, a strong and stable bilateral relationship serves both Chinese and American interests. China considers US support central to its own continued economic development and security. The United States considers China's support necessary for addressing challenges in North Korea and Iraq, and to combat terrorism. As long as these strategic realities continue to dominate each country's domestic and foreign policy agendas, positive relations between China and the United States are likely to remain a high priority for the leaders of both countries. By developing long-term strategies on key contentious issues, the leaders could improve chances that this stability will continue. ■