

U.S.-China Relations:  
**Face to Face in Shanghai:**  
***New Amity amid Perennial Differences***

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The re-ordering of U.S. security priorities in the wake of the Sept. 11 terrorist attacks provided an opportunity for Washington and Beijing to work together toward a common goal. Cooperation against terrorism and the successful first-ever meeting of U.S. President George W. Bush and PRC President Jiang Zemin at the Asia Pacific Economic Cooperation (APEC) Leaders' Meeting in Shanghai contributed to an improvement in the overall atmosphere of the Sino-U.S. relationship in the final quarter of 2001. At the same time, however, friction between the two countries persisted on issues of long-standing controversy, including human rights, nonproliferation, missile defense, and Taiwan. After 15 years of negotiations, China finally joined the World Trade Organization (WTO), bringing a market of 1.3 billion people into the global trading system.

### **Finding Common Ground**

As the U.S. initiated military strikes on Taliban targets and the al-Qaeda network led by Usama bin Laden in early October, China urged the U.S. to target "specific objectives, so as to avoid hurting innocent civilians," and expressed hope that peace would be restored as soon as possible. Nevertheless, Beijing backed resolutions related to countering terrorism passed respectively by the UN General Assembly and the UN Security Council and exchanged intelligence on terrorist networks with U.S. officials. Chinese leaders agreed that China's interests would be best served by clearly siding with the Bush administration in its fight against terrorism. Assisting the U.S. provided a chance to put Sino-U.S. relations on a positive track after many months of discord. China also hoped that by supporting the U.S. in the war on terrorism, it might gain international support for its crackdown on Uighur separatists deemed responsible for terrorist incidents in China's western region of Xinjiang.

### **Successful Summitry**

On the eve of the APEC Leaders' Meeting in Shanghai, Sino-U.S. relations were poised for improvement. China was grateful that President Bush had not canceled his attendance at the annual meeting of Asia-Pacific leaders due to his responsibilities in overseeing the military operation in Afghanistan. In return, it turned the agenda of the meeting, which typically spotlights economic issues and was designed to showcase China's economic

progress, to the U.S. priority of opposing terrorism. As host of the APEC meeting, China assisted the United States in forging a consensus among the member states on a firmly worded statement condemning terrorism that referenced the UN Charter, which includes the right to self-defense.

For Beijing, the highlight of the APEC Leaders' Meeting was the three-hour meeting between Presidents Jiang and Bush. The agreement on adopting a new, positive bumper-sticker for the relationship was the single most important achievement of the leaders' discussion from Beijing's perspective. Instead of engaging in strategic competition – a term that had been frequently used by Bush and his senior advisers during the U.S. presidential campaign and even in the early months following Bush's inauguration – the two leaders committed to the pursuit of a “constructive and cooperative” relationship. President Bush added the term “candid,” signaling that his administration would continue to forthrightly express its concerns about China's policies. In public remarks following their private meeting, Bush referred to China as a great power and maintained that “America wants a constructive relationship with China” and welcomes “a China that is a full member of the world community.” Bush also publicly indicated personal regret that the Beijing portion of the trip had been canceled and promised that “it will happen at a different time.”

Jiang proposed that the two countries establish a “high-level strategic dialogue mechanism” to ensure timely communication on major issues of common concern and Bush readily agreed. A senior administration official characterized this understanding as a commitment “to picking up the phone and calling, particularly if there was some area of misunderstanding.” The U.S. side judged this “a very important step forward,” since U.S. officials had been unable to contact senior Chinese officials after the accidental bombing of the Chinese Embassy in 1999 and the collision of a Chinese fighter jet with a U.S. surveillance plane last April. Following the APEC meeting, Presidents Bush and Jiang exchanged several phone calls to confer on issues such as missile defense, WTO, and the war on terrorism, but it remains to be seen whether communication channels will be available and utilized during a crisis.

President Bush thanked Jiang for China's firm support in the fight against terrorism, which, he emphasized, was provided “immediately” and with “no hesitation” and “no doubt.” In an attempt to assuage China's concerns that the U.S. would seek to secure a permanent military foothold in Afghanistan and Central Asia after the Taliban is eliminated, Bush promised Jiang that the U.S. had no intention to sustain a military presence in the region and would not pose any threat to China. Beijing agreed to expand cooperation with Washington in counterterrorism efforts, specifically in intelligence sharing and interdicting the financing of terrorist groups. Another area of common interest that the two leaders discussed was North Korea, which President Jiang had recently visited. They confirmed their joint desire for peace and stability on the Korean Peninsula and in the Asia Pacific. President Jiang even declared that China views the U.S. presence in the region as stabilizing and does not seek to expel U.S. military forces from the region.

Contentious issues were mentioned during the leaders' discussion but were not dwelled on. President Bush conveyed his personal convictions to Jiang about the importance of religious freedom. He declined to endorse Beijing's portrayal of Uighur separatists in Xinjiang as terrorists, insisting that "the war on terrorism must never be an excuse to persecute minorities." Bush also raised U.S. proliferation concerns, noting that in the aftermath of Sept. 11 there is heightened urgency to bolster efforts to prevent the spread of weapons of mass destruction and the means to deliver them. On the sensitive issue of Taiwan, President Bush reiterated the long-standing U.S. policy of "one China," but also reaffirmed his commitment to the Taiwan Relations Act. In addition, he told Jiang that Taiwan ought to be treated with respect. Prior to the summit, the Chinese side had pressed the U.S. side to agree that Bush would restate directly to Jiang that his administration does not support Taiwan independence, but apparently the U.S. refused.

Sino-U.S. trade and business ties got a boost from the summit and the general trend of improvement in U.S.-China relations. On the fringes of the first meeting between Bush and Jiang, major U.S. corporations including Microsoft, Applied Materials, Hewlett-Packard, and General Motors all announced greater investments in China. A few weeks prior to the APEC meeting, Chinese airlines signed an order for 30 Boeing 737 jetliners in a deal worth about \$1.6 billion at list prices.

### **Cooperation in the War on Terrorism**

Sino-U.S. cooperation in countering terrorism advanced this quarter with a second round of consultations held in early December in Beijing. As in the first round, which took place in Washington only two weeks after the Sept. 11 attacks, the delegations were headed by the U.S. Department of State and the Chinese Foreign Ministry respectively, but also included law enforcement and intelligence officials. The delegations for the December talks also included Defense and Treasury officials. Ambassador Francis X. Taylor, the State Department's coordinator for counterterrorism, held talks with his counterpart Li Baodong, director of the Ministry of Foreign Affairs' International Organizations Department. Taylor also met with Li Zhaoxing and Wang Yi, both vice ministers of foreign affairs, and Xiong Guangkai, deputy chief of General Staff of the People's Liberation Army.

During two days of talks on terrorism, China promised to give "positive consideration" to a U.S. request to open a Legal Attaché Office in the U.S. Embassy in Beijing, which would be run by the FBI. The office would aid in the efforts of law enforcement agencies against organized crime, money laundering, and other criminal activities. The two sides also agreed to hold semiannual consultations on counterterrorism, but Gen. Taylor emphasized in a press conference following the conclusion of his meetings that "this does not preclude frequent, in fact even daily, contacts at the experts and working levels." Taylor also announced an agreement to establish a U.S.-China Financial Counter-Terrorism Working Group and said that a small group of Chinese experts would visit the U.S. in early 2002 pursuant to this initiative.

Taylor maintained that the United States is pleased with the support China has given in the aftermath of the Sept. 11 terrorist attacks. "The Chinese government has responded quickly and positively to specific requests for assistance, and also took steps on its own to protect its borders and respond to that common threat," he said. Beijing also contributed to the U.S.-led war against terrorism in other ways. For example, China supplied a significant amount of food relief for refugees fleeing Afghanistan. Beijing agreed to provide \$121,000 to the United Nations High Commissioner for Refugees (UNHCR) and pledged to provide an additional 60 truckloads of humanitarian supplies valued at \$1.7 million. China also announced \$1.21 million in emergency aid to Pakistan and promised an additional \$12 million in assistance during Pakistani President Pervez Musharraf's Dec. 20-25 visit to China. Vice Foreign Minister Wang Yi was dispatched twice to Pakistan, once in mid-September and again in late November, to shore up that country's support for opposing bin Laden and the Taliban government in Afghanistan. In addition, China signed the International Convention for the Suppression of Financing of Terrorism and the Standing Committee of China's National People's Congress ratified the PRC accession to the International Convention for the Suppression of Terrorist Bombings. Unlike Pakistan and several Central Asian countries, however, Beijing refrained from offering the use of Chinese airfields and airspace to support humanitarian or combat operations.

### **Stalemate Persists on Nonproliferation**

In this final quarter of 2001, there was no narrowing of differences between Beijing and Washington in their dispute over a November 2000 bilateral agreement in which China committed not to export nuclear-capable missiles or its technologies and strengthen export controls on missile-related items. In August, the U.S. imposed sanctions on a Chinese firm, which it claimed had transferred missile technology to Pakistan in violation of the November 2000 agreement. U.S. officials had hoped that China would settle the disagreement before the APEC Leaders' Meeting so the two presidents could show solidarity in opposition to proliferation of weapons of mass destruction and the means to deliver them as well as terrorism. They were disappointed, however, as the Chinese continued to deny breaking international and bilateral commitments and insisted that the U.S. decision was based on inaccurate intelligence.

At the end of November, Chinese Vice Foreign Minister Wang Guangya visited Washington for talks with Undersecretary of State John Bolton that focused on proliferation in the hopes of breaking the stalemate. Progress was stymied, however, by the two sides' persisting irreconcilable interpretations of the November 2000 understanding. Beijing maintained that Chinese contracts to sell missile technology signed prior to November 2000 are not covered under the accord, while the U.S. insisted that all contracts are included irrespective of when they were concluded. China also balked at U.S. demands that it put in writing its oral agreement last year to refrain from assisting other countries to develop missiles capable of delivering nuclear weapons. Beijing noted that it was gearing up to establish a system of export controls to regulate exports of missiles and missile technology as promised the previous November, but the U.S. side judged this as insufficient progress and refused to lift the sanctions.

In an effort to play down the lack of agreement between the two sides, China's *Xinhua News Agency* reported that the consultations between Wang Guangya and John Bolton were "beneficial and constructive" and had "increased mutual understanding." The report also noted that in Wang's meetings with other U.S. officials, including Secretary of State Powell, the two sides agreed that China, the U.S., and the international community should further increase cooperation in the struggle against terrorism. Other topics covered during Wang's visit included Afghanistan, the Middle East, the situation in South Asia, and cooperation between China and the U.S. in the UN Security Council.

### **Bush Abandons ABM Treaty and Seeks to Mollify China**

President Bush's announcement of the withdrawal of the United States from the 1972 Anti-Ballistic Missile Treaty (ABM) came as a surprise to many Chinese experts who had forecast that Washington would postpone a final decision on the ABM Treaty to avert new tensions in U.S.-Russia relations that could undermine Moscow's support for the U.S.-led military operation in Afghanistan. Just hours prior to Bush's public appearance to declare that his administration was giving six-months notice of its intention to withdraw as required by the treaty, the president phoned both Russian President Putin and Chinese President Jiang to convey his decision. In the conversation with Jiang, Bush offered to hold high-level strategic talks with China, presumably aimed at assuaging Beijing's concerns that China's strategic deterrent will be neutralized by a U.S. missile defense system. Secretary of State Powell offered public reassurances, saying that the planned system would not target China, but instead "goes after those irresponsible, rogue states that might come up with a couple of missiles and threaten us." Powell said he was confident that China would eventually conclude that "this action is not intended against it."

Just three days after the president's announcement of the ABM Treaty withdrawal, a team of U.S. diplomats arrived in Beijing to consult with China on the implications of Bush's decision. Assistant Secretary of State for Arms Control Avis Bohlen led the delegation to confer with Chinese Foreign Ministry officials. Publicly, the Chinese officials muted their concerns, but privately they maintained their long-standing position that the development and deployment of missile defense systems would threaten global stability and could set off a new arms race. They insisted that preservation of the ABM Treaty would be beneficial for world peace and hoped that the Bush administration would reconsider its decision to abandon the treaty. China's Foreign Ministry spokesman declared: "We hope the U.S. will heed seriously the opinion of other countries. No matter what moves the U.S. takes, the Chinese side will continue to work with the international community to safeguard international disarmament." The U.S. side characterized the talks as "productive" and indicated that both sides had agreed to continue their dialogue on missile defense "to enhance mutual understanding."

### **China Joins the WTO**

After 15 years of negotiations, China finally joined the WTO, bringing a market of 1.3 billion people into the global trading system and accelerating the process of China's

adherence to international, market-based rules. At a meeting of WTO ministers in the Gulf state of Qatar on the evening of Nov. 11, Shi Guangsheng, head of the Chinese government delegation and minister of foreign trade and economic cooperation, delivered to the WTO director the “Instrument of Ratification Signed by Chinese President Jiang Zemin on China’s Accession to the WTO.” According to the WTO regulations, China officially became a WTO member 30 days after submission of this document.

In a speech to the ministers, Shi said joining the WTO was a strategic decision by the Chinese leadership aimed at refueling the engine for market reforms launched more than 20 years ago when China started to open its economy to the rest of the world. He also promised that China would “abide by WTO rules and honor its commitments while enjoying its rights.” Beijing’s decision to become a member of the global trading system “fully demonstrates the resolve and confidence of China to deepen its reforms and to open further to the outside world,” Shi declared.

On Dec. 11, the date that China officially became the 143<sup>rd</sup> member of the WTO, U.S. Commerce Secretary Donald Evans offered congratulations and said that Washington looks forward to China’s participation in future WTO work. He noted that the average Chinese tariff on most industrial products would be reduced from the 1997 average of 25 percent to 8 percent by January 2004, making it easier for U.S. firms to sell its products to Chinese consumers. “Their accession to the WTO will open China’s market to American exports of industrial goods, services, and agriculture to an unprecedented degree, and strengthen the world economy,” Evans stated. Other U.S. officials observed that the U.S. would closely monitor China’s future activities to ensure that Beijing honored its WTO commitments.

One day after China joined the WTO, Taiwan’s membership was approved as “the separate customs territory of Taiwan, Kinmen, and Matsu” or Chinese Taipei. In a public statement, President Bush welcomed both China and Taiwan into the international trading system. He noted WTO membership meant both would follow the same trade rules as the U.S. and other trading partners. “This, in turn, will generate greater trade and investment that will bring benefits to businesses, consumers, and workers in all of our economies,” Bush said. As required by U.S. law, prior to the Qatar meeting Bush had certified that the terms negotiated on China’s entry to the WTO in a 1999 bilateral deal had been met.

### **Hope Springs Eternal, but Uncertainty Prevails**

As 2001 came to a close, China’s analytic community engaged in intense debates about the impact of the past year’s developments on Chinese national security interests as its members prepared assessments of the international security environment for the top leadership. Attention was focused primarily on the U.S.-led counterterrorism campaign and its uncertain implications for major power relations, especially U.S.-Russia relations, and for U.S. foreign and defense policy and global security. The Sept. 11 terrorist attacks “changed the world for the United States, but for China, it is the U.S. response that has changed the world,” asserted a leading Chinese strategist.

Developments in the international situation since Sept. 11 have had both negative and positive consequences for China. On the positive side, the counterterrorism campaign is widely recognized in Beijing as a chance to improve relations with the U.S. and further integrate China into the international community. On the negative side, China is uneasy about the U.S. conducting military operations from several states close to its borders and thus hopes for an early and successful completion of the campaign in Afghanistan. Chinese experts and officials are nervous that once the U.S. attains its goals in Afghanistan it will “wantonly” use military force against other targets such as Iraq, Somalia, or Sudan, which they claim would undermine both the global coalition against terrorism and the trend toward development of a multipolar, rather than a unipolar, world. China is also worried about potential instability in Pakistan and the possibility that the Gen. Musharraf administration could fall from power and be replaced by a radical Islamic government. The possible loss of the Pakistani government’s control over its nuclear weapons is extremely worrisome. In addition, the recent flare-up of tension between India and Pakistan that carries the danger of escalation to a nuclear exchange has heightened anxiety in Beijing.

While China hopes that it can sustain the forward momentum in Sino-U.S. relations, it recognizes that this will be difficult. Cooperation in the fight against terrorism, although important to Beijing, is of far greater urgency for Washington. China has not sought *quid pro quos* for its positive contributions to the anti-terrorism war, but it hopes – perhaps even expects – that eventually there will be some payback. Beijing continues to press the U.S. to mute its criticism of China’s crackdown on Uighur separatists in Xinjiang whom it insists are linked to global terrorist networks. China also hopes that by backing the war against terrorism, Washington will be more sympathetic and accommodating to Chinese aspirations for reunifying the mainland with Taiwan. China would like to see the U.S. exercise restraint in its arms sales to Taipei and pressure Taiwan President Chen Shui-bian to accept Beijing’s “one China” principle and enter into negotiations with the mainland. The Bush administration is unlikely to comply with China’s wishes.

Moreover, other contentious issues that divide the U.S. and China remain, including human rights and proliferation, and in due time will resurface and possibly overwhelm the nascent cooperation between the two countries. Moreover, mutual suspicions about long-term intentions have not abated on either side, neither among officials nor in the general populace. Although U.S. attention is focused on the imminent threat of terrorism, it is premature to conclude that the U.S. is no longer worried about a rising China. Similarly, China is not convinced that the threat of U.S. hegemonism has receded.

### **Chronology of U.S. - China Relations October - December 2001**

**Oct. 2, 2001:** Chinese airlines sign an order for 30 Boeing 737 jetliners in a deal worth about \$1.6 billion at list prices.

**Oct. 7, 2001:** As President Bush announces the beginning of military strikes on Taliban targets and the al-Qaeda network led by Usama bin Laden, China’s Foreign Ministry

spokesman says that China supports the action, provided that it was limited to “specific objectives” and avoided civilian casualties.

**Oct. 8, 2001:** President Bush talks on the phone with Chinese President Jiang Zemin and thanks the Chinese government for its strong statements against global terrorist networks.

**Oct. 8-10, 2001:** U.S. Assistant Secretary of State for East Asian and Pacific Affairs James Kelly holds two days of talks in Beijing with Foreign Minister Tang Jiaxuan and other Chinese officials to prepare for the first meeting between Bush and Jiang.

**Oct. 9-11, 2001:** U.S.-China human rights talks take place in Washington, D.C. Lorne Craner, assistant secretary for the Bureau of Democracy, Human Rights, and Labor, headed the U.S. delegation to the three-day talks. China was represented by Li Baodong, the Foreign Ministry’s director for international organizations.

**Oct. 11, 2001:** China insists the international community should help it stamp out violent Muslim separatism in its far west, saying this was “part and parcel” of the global anti-terrorism fight.

**Oct. 19, 2001:** Presidents Bush and Jiang meet for over three hours in their first ever face to face meeting on the sidelines of the APEC meeting in Shanghai.

**Nov. 8, 2001:** A Foreign Ministry spokesman says that China ratified a UN treaty against terrorist bombings and will sign a second UN treaty targeting terrorist financing.

**Nov. 8, 2001:** Former President George Bush tells business leaders in Hong Kong that he is “very pleased that the United States and China and other countries are shoulder-to-shoulder in unity in their determination to win against international terrorism.” Bush calls China’s support of the U.S. war on terrorism “a rather courageous stand” that should improve historically fragile ties between Washington and Beijing.

**Nov. 10, 2001:** World Trade Organization meeting in Doha approves the admission of China. One day later, the WTO clears Taiwan to join.

**Nov. 11, 2001:** Shi Guangsheng, head of the Chinese government delegation and minister of foreign trade and economic cooperation, delivers to WTO Director General Mike Moore the “Instrument of Ratification Signed by Chinese President Jiang Zemin on China’s Accession to the WTO.”

**Nov. 12, 2001:** Presidents Jiang and Bush conduct a telephone conversation. Bush congratulates China on its accession to the WTO and the two leaders exchange views on opposing terrorism.

**Nov. 20, 2001:** A Foreign Ministry spokeswoman says that China is firmly opposed to the proposed sale of diesel submarines to Taiwan by U.S. companies.

**Nov. 30, 2001:** Chinese Vice Foreign Minister Wang Guangya holds talks with U.S. Undersecretary of State John Bolton in Washington on arms control and the prevention of proliferation. He also meets with Secretary of State Colin Powell and Undersecretary of State Marc Grossman.

**Dec. 5-7, 2001:** China and the U.S. hold a three-day working group meeting to promote military maritime safety under the Sino-U.S. Military Maritime Consultative Agreement.

**Dec. 6, 2001:** Ambassador Francis X. Taylor, the State Department's coordinator for counterterrorism, holds a press conference in Beijing after two days of talks with Chinese officials on cooperation in the fight against terrorism. He was hosted by his counterpart Li Baodong, Director of the International Organizations Department in China's foreign ministry.

**Dec. 11, 2001:** U.S. Commerce Secretary Donald Evans congratulates China on becoming the 143rd member of the WTO.

**Dec. 13, 2001:** President Bush calls President Jiang to notify him that he plans to withdraw from the 1972 Anti-Ballistic Missile Treaty and offers to hold high-level strategic talks.

**Dec. 13, 2001:** China's Foreign Ministry spokesman expresses concern at U.S. plan to withdraw from the 1972 ABM Treaty and calls for talks on the issue.

**Dec. 17, 2001:** A team of U.S. diplomats led by Assistant Secretary of State for Arms Control Avis Bohlen held talks in Beijing on the U.S. decision to withdraw from the 1972 ABM Treaty.

**Dec. 27, 2001:** President Bush signs a proclamation granting permanent normal trading relations status to the PRC, terminating the annual Jackson-Vanik trade certification process for China. The change takes effect Jan. 1, 2002.