



U.S.-China Relations: Beginning to Thaw

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After a freeze of several months following the accidental bombing of the Chinese embassy in Belgrade, Sino-American relations have begun to thaw. The mid-September meeting between Presidents Bill Clinton and Jiang Zemin signaled Beijing's readiness to resume high-level contacts with the United States, but it remained uncertain whether the Chinese are prepared to restore normalcy to other facets of the bilateral relationship. Still absent are indications that China is willing to resume military exchanges with the United States or reinstate the official dialogues on human rights, arms control, and non-proliferation that Beijing suspended in the wake of the embassy bombing. At the direction of their presidents, Chinese and American negotiators have proceeded with discussions aimed at reaching an agreement on China's entry into the World Trade Organization. Completing a deal this year remains possible, but may prove politically difficult in both countries.

High-level Contacts Resume

In the weeks leading up to the presidents' meeting at the APEC summit in Auckland, New Zealand there were some hopeful signs that the Chinese leadership was preparing to re-engage with the United States following months of refusal to conduct normal relations in the wake of the embassy bombing. Chinese officials continued to voice their refusal to accept the U.S. contention that the bombing was unintentional, and periodically called for a more thorough investigation and punishment of those responsible for the blunder. These demands became less strident and were not expressed as explicit preconditions to the resumption of normal Sino-American relations as they had been in mid-June, when Undersecretary of State Thomas Pickering presented the official U.S. explanation of the series of mishaps leading to the bombing.

Helping to soothe China's anger about the embassy bombing was the agreement between Washington and Beijing at the end of July to a \$4.5 million settlement to compensate the 27 people injured and the families of the three reporters who were killed. The Chinese were gratified by the resolution of the issue of compensation to the victims, although privately Chinese officials noted that the government was peeved by the U.S. insistence that its provision of compensation was voluntary and did not represent an admission of liability on the part of the United States. The two sides subsequently began talks to settle the Chinese and American claims for damage inflicted on their respective embassy buildings and diplomatic compounds last May. By contrast, these talks are progressing slowly, however, and an accord is not yet in sight.

The votes taken in both houses of Congress in the second half of July, overwhelmingly repudiating efforts to revoke Normal Trade Relations (NTR) status for China, likely also softened China's position and aided Chinese leaders seeking an exit from the diplomatic corner

in which they had placed themselves following the attack on the Chinese embassy in Belgrade. The vote in the House was 260-170, a change of only four votes from the previous year. In a vote of 87-12, the Senate even more resoundingly rejected a measure to compel reconsideration of China's NTR status.

The outcome of the July 25 meeting between Secretary of State Madeline Albright and Chinese Foreign Minister Tang Jiaxuan on the margins of the ASEAN Regional Forum meeting in Singapore was mixed. There were some indications that Beijing realized the dangers of keeping Sino-American relations in a deep freeze, but these were coupled with reluctance to return to the *status quo ante*. The central accomplishment of the meeting was the agreement and formal announcement that the Chinese and American presidents would in fact meet at the APEC summit in mid-September. In addition, the Chinese agreed to resume low-level dialogues on selective issues and promised to host visits by some U.S. under secretaries and assistant secretaries and by State Department Director of Policy Planning Morton Halperin.

At the same time, however, China's foreign minister denied Albright's request to resume the earlier practice of regularly granting permission for U.S. warships to make port calls in Hong Kong. Tang also rejected the U.S. proposal to proceed with established bilateral dialogues on arms control and weapons proliferation and on human rights. Moreover, Tang indicated that the atmosphere was not conducive to reviving the talks on hammering out a bilateral accord for China's accession to the World Trade Organization. In a press conference following the Tang-Albright luncheon meeting, the U.S. Secretary of State attempted to put a positive spin on their discussions: "I would characterize this as an easing of tensions," she stated, adding that she was "quite satisfied with the restoration of communication." But Albright admitted, "there are still subjects upon which we disagree and have to work out the arrangements."

Lee Teng-hui Poses New Challenge for Sino-U.S. Relations

The July 9 statement by Taiwan President Lee Teng-hui describing Taiwan and the Mainland as having "at least a special state-to-state relationship" created both crisis and opportunity in Sino-American relations. The new formulation used by Lee Teng-hui suggesting that the People's Republic of China and the Republic of China are at least at present two separate, sovereign states that should treat each other and be treated by the rest of the world on an equal basis, evoked a harsh response from Beijing. China reminded Taiwan that while it sought reunification by peaceful means, it would use force if necessary to prevent Taiwan from becoming independent. With the 1995-96 precedent of Chinese ballistic missiles launched into the waters off Taiwan still fresh in the minds of Clinton Administration officials, concern in Washington intensified about the possibility of a military flare-up in the Taiwan Strait.

Some American analysts worried that Jiang Zemin, who appeared weakened domestically after the NATO military operation in Kosovo and the U.S. attack on the Chinese embassy in Belgrade, would heed PLA advice to use military force to punish Lee Teng-hui and pressure the Taiwan president to retract his statements. Chinese experts on the United States held a different perspective. They hoped that a swift U.S. condemnation of Lee's statement would not only prevent an escalation of the crisis, but also help American and Chinese officials to focus on their shared strategic interests and accelerate the restoration of bilateral ties.

Senior Chinese leaders meeting at their annual Beidaihe seaside retreat in mid-July apparently decided to refrain from taking immediate military action against Taiwan, opting instead to rely at least temporarily on diplomatic means to achieve their objectives. The official Chinese media launched a campaign of visceral denunciation of Lee Teng-hui, while the Hong Kong press carried scores of articles on PLA efforts to increase China's military preparedness. At the same time, Beijing looked to Washington to pressure Taipei to recant Lee's characterization of Mainland-Taiwan relations as that between two equal sovereign states and return to a "one China" position.

The U.S. government moved quickly to defuse the crisis in the Taiwan Strait by distancing itself from Lee Teng-hui's formulation and warning China to act with restraint. President Clinton telephoned Jiang Zemin to reiterate the strong U.S. commitment to a "one China" policy and dispel Chinese suspicions that there was a hidden American hand behind Lee's statements. According to Chinese press accounts of the phone call, Clinton said, "I want to assure you that U.S. policy will not change; you should have full confidence in the statements I have made to you in our previous meetings." At the same time, Clinton signaled Jiang that the U.S. would not countenance the use of force against Taiwan. He also endorsed the continuation of cross-Strait dialogue and urged the Chinese leader to send the Chairman of China's unofficial Association for Relations Across the Taiwan Strait, Wang Daohan, to visit Taiwan in October as planned.

Publicly, President Clinton enunciated three pillars on which U.S. policy toward relations between Taiwan and the Mainland is based: "one China;" cross-Strait dialogue; and peaceful resolution. He also dispatched Assistant Secretary of State Stanley Roth and National Security Council Senior Director for Asian Affairs Kenneth Lieberthal to Beijing to provide additional reassurances to China of the steadfastness of U.S. policy. Richard Bush, the Chairman of the American Institute in Taiwan, was simultaneously sent to Taipei to convey U.S. concern about the potentially destabilizing impact on stability in the Taiwan Strait of Lee Teng-hui's remarks. To further signal its displeasure to Taipei, Washington delayed a Pentagon mission to Taiwan that had planned to assess the island's air defense needs.

The Taiwan Security Enhancement Act

The timing of Lee Teng-hui's statement coincided with new pressures from congressional conservatives to take steps to strengthen the U.S. defense relationship with Taiwan. Proposed legislation by Senate Foreign Affairs Committee Chairman Jesse Helms (R-N.C.) and Robert Torricelli (D-N.J.), titled the Taiwan Security Enhancement Act, would permit expanded military sales to Taiwan, including air-to-air missiles, advanced radar, and an advanced missile defense system. It would also allow direct communications between the U.S. and Taiwanese military forces.

Testifying before hearings held by both the House and Senate, Administration officials voiced strong opposition to the legislation and urged Congress to avoid inflaming the already precarious situation in the Taiwan Strait. Assistant Secretary of State Stanley Roth told the Helms panel that passing the legislation "could risk a dangerous response from the other side." Kurt Campbell, Deputy Assistant Secretary of Defense for Asian and Pacific Affairs, told the House International Relations Committee Asia and Pacific Subcommittee that the new legislation

was unnecessary because, “the Taiwan Relations Act has succeeded in contributing to an extended period of peace and prosperity across the Taiwan Strait and has promoted American interests in the western Pacific for twenty years.” In their testimonies to Congress, Administration officials also indicated concern about increased military flights over the Taiwan Strait by both Taiwan and PRC fighter jets that could lead to an inadvertent clash. “In light of the on-going activity in the Taiwan Strait, we urge both sides to exercise caution and restraint as a means to minimize accidents and miscalculations,” maintained Dr. Campbell.

U.S. and Chinese Leaders Meet at APEC

In the first face-to-face meeting between the two presidents in 15 months, the increased tensions across the Taiwan Strait and China’s entry into the WTO topped the agenda. President Clinton reiterated the U.S. “one China” policy and told President Jiang that Lee Teng-hui’s statement had “made things more difficult for both China and the United States.” But Clinton also warned Jiang that “there would be grave consequences in the United States” if Beijing used force to secure sovereignty over Taiwan. Jiang restated China’s position that while it prefers a peaceful settlement with Taipei, the PRC will not renounce the use of force if Taiwan declares independence unilaterally. The Chinese president also urged Clinton to halt arms sales to Taiwan, emphasizing China’s objections to consideration of new missile defense systems for the island.

On WTO, the two leaders ordered their negotiators to resume talks aimed at reaching agreement on the terms of China’s entry. They did not set a timetable for reaching an accord, however. Clinton also raised human rights concerns, in particular Beijing’s crackdown on Falun Gong, a sect that was banned by the Chinese government in July. Jiang termed Falun Gong a cult and gave Clinton several books about the organization.

Bilateral Dialogues and Military Contacts Remain Suspended

Following the meeting, senior officials on both sides characterized their talks in positive terms, but they diverged on the road map for proceeding with development of bilateral relations. NSC Adviser Sandy Berger described Sino-U.S. relations as “back on track,” and asserted that the presidents’ discussion had provided a strong indication that the Chinese were prepared to resume discussions on a range of other issues, from human rights to arms control and non-proliferation. By contrast, Chinese Foreign Minister Tang Jiaxuan told a news conference at the APEC forum that “the relationship has been improved,” but he stressed that the bombing remained unresolved and would continue to hamper the progress of relations. “There is a need for the U.S. side to do more concrete deeds to heal the scars the bombing incident has left on the hearts of the Chinese people,” he said. A Chinese diplomat in Washington privately indicated that Beijing hoped for “greater efforts by the U.S. government to improve relations,” especially on Taiwan.

In the weeks following the APEC summit meeting, the Chinese continued to signal that they were not yet ready to restart the bilateral dialogue with the U.S. on proliferation of weapons of mass destruction. Privately, Chinese officials hinted that they were dissatisfied with the Clinton Administration’s refusal to publicly rebuke Lee Teng-hui for aggravating cross-Strait tension. By withholding cooperation with the U.S. on proliferation—a priority issue for the

Clinton Administration—Beijing hoped to pressure Washington to assume a tougher stance against Lee and force a return by Taipei to a “one China” position. Signs of willingness to resume ties between the U.S. and Chinese militaries were also absent, although American officials remained hopeful that these contacts would be restored shortly after the October 1 celebration of the 50th anniversary of the People’s Republic.

Prospects for WTO Accord Uncertain

The Clinton Administration continued to work toward concluding an accord on China’s WTO entry before late November when the Geneva-based organization that determines the rules for world trade is set to launch a new round of global trade talks in Seattle. At the end of the quarter, however, it remained unclear when or if Beijing would be ready to conclude a bilateral agreement on its accession to the WTO. In long awaited talks, Chinese Trade Minister Shi Guangsheng met with U.S. Trade Representative Charlene Barshefsky in late September in Washington, but their sessions ended without the announcement of any major breakthroughs. Beijing’s earnestness toward the talks was called into question by the absence from the delegation of Long Yongtu, China’s chief WTO negotiator. Also putting in doubt the priority China is now attaching to finalizing an agreement was Shi Guangsheng’s decision to shorten his visit to one day instead of two. The two sides agreed to meet again, but did not set a date for resumption of their negotiations.

Completing a WTO deal remains possible, but is likely to prove politically difficult in both countries. Although Beijing has not categorically taken off the table any of the terms that were offered by Premier Zhu Rongji during his visit to Washington last April, it will be politically difficult to stick to at least some of them. At a time of growing economic difficulties in China, Jiang and Zhu are vulnerable to charges that they are making too many concessions to the “number one hegemonist superpower.” President Clinton has to keep in mind the implications of the terms of a WTO deal for the Democratic Party and for Vice President Al Gore’s candidacy for next year’s presidential race. Labor unions have been vocal critics of any trade deal with China and some have withheld endorsements of Gore.

Policy Implications

More than four months after the accidental bombing of the Chinese embassy in Belgrade, Sino-American relations have yet to return to normal. The reasons for this are not clear. Continued Chinese calls for a satisfactory explanation of the bombing and full compensation in the wake of the presidents’ meeting in Auckland suggest that Jiang Zemin may still be vulnerable to charges of being soft on the United States. Beijing’s possible linkage of the resumption of the bilateral dialogue on non-proliferation with U.S. handling of Lee Teng-hui’s announcement of his “state-to-state” formulation for cross-Strait relations is an ominous sign that the Taiwan issue has increasingly taken center stage as the litmus test of the U.S. commitment to improve ties with China.

The slow and fitful resumption of Sino-American relations has unnerved U.S. friends and allies in the Asia-Pacific. At the APEC summit, persisting tension between Washington and Beijing and the new China-Taiwan crisis (as well as the unfolding crisis in East Timor) all but

overshadowed economic concerns, as regional leaders considered the uncertainty in their security environment. American officials are making concerted efforts to reassure regional states that the U.S. is attaching high priority to safeguarding regional security. Until cooperative ties between China and the U.S. are restored, however, the region is likely to remain nervous.

Chronology of U.S.-China Relations

July - September 1999

July 18, 1999: President Bill Clinton calls President Jiang Zemin on the “hot line” to reiterate U.S. commitment to a “one China policy,” following Taiwan President Lee Teng-hui’s statement that Taipei’s relations with Beijing should be “special state-to-state relations.”

July 20, 1999: The U.S. Senate votes to reject a motion to open debate on President Clinton’s June extension of China’s “Normal Trade Relations” with the U.S.

July 21, 1999: President Clinton discusses U.S. policy toward China and Taiwan at a press conference. Envoys travel to Beijing and Taipei to manage the fallout from Taiwan President Lee Teng-hui’s call for cross-Straits relations to be put on a “special state-to-state” basis.

July 25, 1999: Secretary of State Madeline Albright meets with Chinese Foreign Minister Tang Jiaxuan at the ASEAN Regional Forum meeting in Singapore.

July 27, 1999: The House of Representatives renew trading privileges with China for another year. The vote was 260 to 170 to reject a measure that would have ended the trade benefits.

July 30, 1999: The United States agrees to pay \$4.5 million in damages to the 27 people injured and the families of three reporters killed in the accidental bombing of the Chinese Embassy in Yugoslavia.

Aug 1, 1999: China tests new long range missile, the DF-31.

Aug 2, 1999: The Chinese issue a “strong protest” to the U.S. for its announced plans to sell E-2T early warning aircraft and F-16 fighter jet parts to Taiwan.

Aug 4, 1999: The Senate Foreign Relations Committee holds hearings on S. 693, the Taiwan Security Enhancement Act.

Aug 30, 1999: Director of Policy Planning Morton Halperin holds discussions in Beijing on international security issues with Assistant Chinese Foreign Minister Wang Yi.

Sept 6, 1999: USNS Tippecanoe docks in Hong Kong, the first U.S. naval vessel to do so since the bombing of the Chinese Embassy in Belgrade.

Sept 7, 1999: China approves Washington's nomination of former Pacific commander Admiral Joseph Prueher as the new U.S. ambassador to Beijing.

Sept 11, 1999: Presidents Bill Clinton and Jiang Zemin hold a summit meeting in Auckland, New Zealand on the sidelines of the annual Asia Pacific Economic Cooperation (APEC) leaders' meeting.

Sept 15, 1999: The House International Relations Committee Asia and Pacific Subcommittee holds hearings on HR 1838, The Taiwan Security Enhancement Act.

Sept 27, 1999: Chinese trade minister Shi Guangsheng met with U.S. Trade Representative Charlene Barshefsky to discuss China's entry into the World Trade Organization.

Sept 30, 1999: State Department Director for Policy Planning Morton Halperin travels to Beijing.