

U.S.-China Relations:

Rice Seeks to Caution, Cajole, and Cooperate with Beijing

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President Bush's second term opened with an active agenda of bilateral U.S.-China interactions. Secretary of State Condoleezza Rice traveled to Beijing on a six-nation tour of South and East Asia during which she sought to enlist China's help in exerting pressure on North Korea to give up its nuclear weapons. China's National People's Congress passed an anti-secession law that the Chinese government viewed as reasonable and necessary, but U.S. officials characterized as "unhelpful" and likely to increase cross-strait tensions. Urging China to enhance its protection of intellectual property rights (IPR) was the central task of outgoing U.S. Secretary of Commerce Donald Evans' visit to Beijing. Deputy Under Secretary of Defense Richard Lawless conducted the first ever "special policy dialogue" between the two militaries. Senior U.S. officials voiced concern about China's military buildup and its proliferation activities, and strongly opposed the lifting of the EU's 15-year old arms embargo on China.

Rice Airs Views on China and Then Travels to Beijing

Signaling that administration policy toward China in Bush's second term would be characterized by continuity, Condoleezza Rice asserted at her confirmation hearings in mid-January that the U.S. is "building a candid, cooperative, and constructive relationship with China that embraces our common interests but recognizes our considerable differences about values." Emphasizing the importance of economics and trade in the relationship, she called for ensuring that China lives up to its obligations in the World Trade Organization and particularly respecting IPR.

During a six-nation Asian tour in March that ended in Beijing, Rice delivered a mix of positive and cautionary statements on China. Arriving in New Delhi, she warned that the U.S. would respond to China's growing military power by reinforcing its own military strength and bolstering alliances with South Korea and Japan. Rice added, however, that the U.S. does not seek to pit its alliances or its posture against China and held out the possibility that "China can emerge as a constructive force in Asia." Echoing words used by her predecessor Secretary Powell, Rice termed U.S. relations with China – as well as with India, Pakistan, Afghanistan, South Korea, and Japan – as the best they have ever been.

En route to Tokyo, Rice told the press that China is both an opportunity and a challenge for the region. As China's economy becomes more open, she averred, its political system should naturally become more open as well. "The United States would welcome a confident China at peace with its neighbors and transforming its internal system at home," Rice stated.

In an address at Sophia University in Tokyo, Rice insisted that America welcomes the rise of a "confident, peaceful and prosperous China." "We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities," she maintained. The secretary noted, however, that issues exist that "complicate" U.S. cooperation with China, especially Taiwan. In answers to questions, Rice described China as an uncertain "new factor" in international politics that could "take a turn for the better" or "for the worse." Moreover, she emphasized the importance of U.S. relations with Japan, South Korea, and India in creating an environment that encourages China to play a positive role, rather than developing "untethered, simply operating without that strategic context." Managing China's military buildup, Rice said, requires the maintenance of strong alliances and ensuring that "America's military forces are second to none."

Rice discussed a broad range of issues with Chinese President Hu Jintao, Premier Wen Jiabao, State Councilor Tang Jiaxuan, Foreign Minister Li Zhaoxing, and Vice Premier Wu Yi. Both sides underscored the importance of their bilateral relationship and endorsed the further expansion of China-U.S. cooperation. Persuading China to use its leverage over North Korea to re-engage earnestly in the Six-Party Talks was Rice's top priority. She made the case that stability on the Korean Peninsula and possession of nuclear weapons by North Korea are incompatible, but there were no signs that she convinced Chinese officials that achieving the intertwined goals of security stability and eliminating Pyongyang's nuclear weapons require Chinese pressure. Taiwan and cross-Strait relations, economic and trade ties, and U.S. concerns about human rights and religious freedom in China were also discussed. Arriving in Beijing on Palm Sunday, Rice attended a church service, which she characterized as a very "moving experience." China muted its objections, in part due to the Bush administration's decision the week prior to Rice's arrival to not propose a resolution condemning China's human rights at the annual session of the 53-nation UN Human Rights Commission.

North Korea: Shared Goals, Divergent Approaches

In early February, President Bush dispatched an emissary to see China's President Hu, urging him to intensify diplomatic pressure on North Korea to give up its nuclear weapons programs. The emissary delivered a letter from Bush that underscored the heightened urgency of the problem in the wake of new evidence that Pyongyang had reprocessed 8,000 spent fuel rods and transferred to Libya uranium hexafluoride, a gas used to make weapons-grade uranium.

Following North Korea's Feb. 10 announcement that it had produced nuclear weapons and would boycott the Six-Party Talks aimed at resolving the nuclear standoff, U.S. ambassador to South Korea and soon to be confirmed Assistant Secretary for East Asian Affairs Christopher Hill visited China to consult with Chinese officials. Hill met with International Liaison Department head Wang Jiarui just prior to Wang's departure for Pyongyang where he delivered an oral message from Hu Jintao to North Korean President Kim Jong-il that denuclearization of the Korean Peninsula through the Six-Party Talks serves both Chinese and North Korean interests. Ning Fukui, China's special envoy for the Korean Peninsula nuclear question, subsequently traveled to Washington in early March to brief U.S. officials on Wang's discussions in Pyongyang.

In five phone calls in January, February, and early March, Secretary Rice also urged Chinese Foreign Minister Li Zhaoxing to apply strong pressure to get North Korea back to the negotiating table. Li, in turn, attempted to convince Rice to open bilateral talks with Pyongyang and take concrete steps to address legitimate North Korean security concerns. Both agreed on the goal of eliminating nuclear weapons from the Korean Peninsula.

At every stop on her six-nation Asian tour, Rice exhorted China to be more forceful with North Korea. At Sophia University in Tokyo, she noted that, "China has a particularly important opportunity and responsibility" to convince North Korea "that the time has come for a strategic decision." And in Beijing, she declared that "China, in particular, has an important role to play in convincing North Korea that the best way for it to seek improved relations with the rest of the world is to return to the negotiating table and end its nuclear ambitions." To Rice's disappointment, Chinese leaders insisted that reducing economic assistance to North Korea would be counterproductive and maintained that the key to reviving the flagging Six-Party Talks resides in Washington, not in Beijing. Nevertheless, Rice's statements while traveling acknowledging North Korea's existence as a sovereign state, reiterating that the U.S. does not plan to attack or invade North Korea, and expressing U.S. willingness to talk bilaterally within the framework of the Six-Party Talks earned Beijing's appreciation and the Chinese pledged to talk to the North Koreans again, without suggesting that they would apply any additional pressure.

But no headway was made toward resumption of the Six-Party Talks when North Korean Premier Pak Pong-ju visited China just days after Rice departed Beijing. There were rumors at the end of the quarter that China would send a second special envoy to North Korea in April or May or possibly President Hu would accept an invitation from Kim Jong-il and seek to break the impasse by himself, although such an effort could be risky. Suggesting continued adherence to Beijing's even-handed approach, China's Foreign Ministry spokesman blamed the lack of trust and communication between Washington and Pyongyang for hindering progress and called for more concrete action from both capitals.

Disagreements over China's Anti-Secession Law

After Taiwan's Dec. 2004 Legislative Yuan elections in which the pan-blue opposition retained a majority of seats, China's National People's Congress (NPC) announced that a draft anti-secession law would be submitted for deliberation later that month and enacted in March. The decision took Washington by surprise. To explain the reasoning behind the law and its contents to U.S. officials and Congress, Beijing dispatched Taiwan Affairs Office Director Chen Yunlin to Washington D.C. in early January. Chen refused to provide a copy of the draft legislation to the U.S., claiming that Chinese law forbids doing so, but he provided a detailed briefing, which he indicated was aimed at helping to alleviate U.S. doubts and misunderstanding and to convince the U.S. to support the legislation in the interests of maintaining peace and stability in the Taiwan Strait and the Asia-Pacific region as a whole.

After Chen's meetings with Deputy Secretary of State Richard Armitage and then Deputy National Security Adviser Stephen Hadley, a State Department spokesman indicated the U.S. would refrain from commenting on the law until the text was released. U.S. officials likely concluded that Beijing's decision to pass the law could not be reversed and calculated that conveying U.S. concerns about the legislation privately, rather than publicly, held out the greatest hope that China might revise clauses that were most objectionable and could reignite cross-Strait tensions. Quiet consultations continued the following month when NSC Senior Director for Asia Michael Green and Deputy Assistant Secretary of State Randall Schriver met with Chen in Beijing.

On March 8, Wang Zhaoguo, vice chairman of the Standing Committee of the National People's Congress, issued a lengthy explanation of the draft anti-secession law to the NPC deputies. Although Wang did not release the text, the law's main provisions were included in his remarks. The White House seized the opportunity to describe the law as "unhelpful" and running "counter to recent trends toward a warming in cross-Strait trends relations." The spokesman called on China to reconsider passing the law, noting that the Bush administration "oppose[s] any attempts to determine the future of Taiwan by anything other than peaceful means" and opposes "any attempts to unilaterally change the status quo."

Despite some last-minute changes in wording to make the text more palatable to Taipei and Washington, China failed to head off criticism from the U.S. when the NPC passed the anti-secession law March 14, although U.S. officials expressed only mild disapproval. The State Department spokesman described the law's adoption as "unfortunate," noting that it "really does not serve the cause of peace and stability in the Taiwan Strait." Congress reacted far more harshly, however. The House overwhelmingly passed a resolution (424-4) expressing the "grave concern" of Congress and calling upon the U.S. government to reaffirm its policy that the future of Taiwan should be resolved by peaceful means and with the consent of the people of Taiwan.

During Secretary Rice's meetings in Beijing, Chinese leaders once again attempted to explain that the anti-secession law was intended to secure peace, not promote war. Rice was not convinced, however, and told the press that the law was "not a welcome development" because it was unilateral and increased cross-Strait tensions. In addition, the secretary revealed that she had encouraged Chinese leaders to take measures in the wake of the law's passage aimed at easing cross-Strait strains.

Intellectual Property Rights, Textiles, and China's Currency

Outgoing U.S. Secretary of Commerce Donald Evans made his fourth visit to China this quarter to attend a China-U.S. roundtable conference on intellectual property rights and met with senior Chinese officials. Prior to his departure from Washington D.C., Evans told reporters "China must forcefully do more to lift barriers to free trade and confront widespread intellectual property theft that is undercutting American workers."

At the conference in Beijing, Chinese Vice Premier Wu Yi provided an update of China's progress in cracking down on infringement of IPR nationwide following the creation of an inter-ministry IPR protection working group last September. In the first two months, according to Wu, Chinese police investigated more than 1,000 cases related to IPR infringement, involving 550 million yuan (about \$66.5 million), meted out punishment in over 9,800 cases of infringement of trademark rights, and confiscated more than 10 million trademarks found to be fake. Wu admitted that it would take time to fundamentally improve IPR protection in China, but pledged that her country would continue to work with other nations and international organizations toward that end.

Evans also had an in-depth exchange of views with Chinese Minister Bo Xilai, on a range of issues in the China-U.S. bilateral economic relationship, including textile exports, protection of intellectual property rights, recognition of China's market economic status, legislation of direct marketing, express mail service, retail sales, an adverse balance of China-U.S. trade, and antidumping. Bo gave Evans a score of 70 percent on his accomplishments in U.S.-China economic relations during his tenure in office.

Pressure on the Bush administration from Congress to take a tougher stance against Chinese economic policies mounted in the early months of 2005. In early February, two U.S. senators submitted a bill that would require the administration to force China to revalue the renminbi upward within six months, and if China did not comply, to levy a special tariff of 27.5 percent on Chinese goods exported to the United States. Congress' U.S.-China Economic and Security Review Commission also held a hearing to garner views of U.S. officials and businessmen on the renminbi exchange rate, the U.S.-China trade deficit, and IPR protection. In January, the Commission released a study on U.S.-China Trade from 1989 to 2003, which concluded that the U.S. trade deficit with China during those years caused displacement of production that supported 1.5 million U.S. jobs, with a doubling of job loss since China entered the World Trade Organization (WTO) in 2001.

The expiration on Dec. 31, 2004 of the decades-old global quota system governing textile and apparel trade led to a surge in imports of Chinese clothing, according to preliminary trade figures from January that were released in mid-March. Textile industry representatives called on the Bush administration to take prompt action to curtail Chinese shipments, which reached \$1.89 billion in January, up 141 percent from the previous month. U.S. importers and retailers argued, however, that imports from other countries, such as Jordan and El Salvador, also soared in January, and that increased imports came at the expense of countries such as South Korea and Taiwan, whose shipments to the U.S. declined by 19 and 27 percent respectively.

Under a special accord reached when China joined the WTO, Beijing agreed to accept the possible imposition of temporary trade barriers against a surge of textile imports from China, but only until 2008. Petitions filed by the U.S. industry with the government last year seeking safeguards in a number of clothing categories were blocked by a court injunction on the grounds that they cite the threat of a surge in imports rather than an actual surge. If data covering a period of several months proves irrefutably that a surge in imports from China has inflicted damage on the U.S. textile and apparel industry, safeguards could be imposed later this year. [On April 4, the interagency Committee for the Implementation of Textile Agreements initiated the safeguards process in the three categories of shirts, blouses, and pants.]

Progress in Military Ties

A small step forward in ties between the U.S. and Chinese militaries was made this quarter with the visit to Beijing of Deputy Under Secretary of Defense Richard Lawless for the first “special policy dialogue.” Among the topics discussed was China’s new Defense White Paper that was issued last December. The U.S. side sought clarification of the explicit identification in the paper of the U.S. and Japan as “complicating factors” in China’s East Asian security environment and the description of the Taiwan situation as “grim.” Lawless also expressed concern about China’s continuing military buildup across the Taiwan Strait.

The two sides exchanged views on ways to clarify “rules of the road” when aircraft and ships encounter each other and deal with emergency situations, issues that the U.S. and China have failed to make progress on in the Military Maritime Consultative Agreement, a bilateral dialogue mechanism created in 1998. The talks remain at an impasse due to Chinese insistence on first settling differences over what constitutes international waters and airspace before addressing procedural and operational matters. The Chinese claim 200 miles off their coastlines, while international norms limit territorial claims to 12 miles. No breakthrough on this issue was made during Lawless’ visit in late January.

Progress was made toward the establishment of a hotline between the two countries’ defense departments that would allow direct communication between the respective tops and bottoms of the two chains of command and, U.S. officials hope, enable rapid diffusion of future clashes such as the mid-air collision that occurred between a Chinese fighter jet and a U.S. reconnaissance plane in April 2001. The U.S. proposed setting up a

hotline a year ago, but was rebuffed by the Chinese. During Lawless' visit, the Chinese indicated a willingness to positively consider the initiative, but said it required further study. Privately, PLA officers say that barriers to moving forward are only "technical" not "political," and they expect China to proceed with establishing the hotline later this year. Washington has similar military-to-military hotlines with at least 40 countries, including every other permanent member of the United Nations Security Council.

This year's program of military-to-military exchanges was also discussed between Lawless and his counterpart Zhang Bangdong, director of the Foreign Affairs Office of the Ministry of National Defense. Visits by top military officials, professional staffs and military educational institutions are on the agenda. A visit by Defense Secretary Donald Rumsfeld, long sought by Beijing, is also under discussion. Although no final commitment has been made and no dates have been set for a visit, Secretary Rumsfeld has expressed interest in traveling to China before the end of the year. No explicit preconditions have been set for his visit, but U.S. defense officials say they hope to arrange a tour of the PLA's Western Hills Command Center, a secret underground facility that has not been visited previously by foreigners, to advance the Pentagon's objectives of transparency and reciprocity in the bilateral military relationship.

In his meeting with Lawless, Deputy Chief of the PLA General Staff Xiong Guangkai noted the Chinese side's willingness to promote relations between the two countries' armed forces, which he described as "by and large improving and developing with positive momentum." Xiong also urged the U.S. to faithfully fulfill its commitments to uphold the "one China" policy, adhere to the three China-U.S. communiqués, and oppose independence."

U.S. and Japan Spotlight China's Military Buildup

U.S. concern about China's military buildup and its proliferation activities figured prominently this quarter in Bush administration policy statements, prompting applause from U.S. conservatives who remain mistrustful of China and generating renewed worries in Beijing about the prospects for preserving stable relations with the United States in Bush's second term. Speaking in Tokyo in early February, Under Secretary of State John Bolton announced that the U.S. would join forces with Japan to restrain sales of arms to China, citing Israel and Russia as targets of concern. He warned against China's growing military capability, which, he asserted, is having an impact on strategic stability in East Asia that "is too important to ignore." Bolton also criticized continuing exports of missile technology and related parts by Chinese state-owned companies to Iran, Pakistan, North Korea, and Libya and revealed that the Bush administration had imposed sanctions against Chinese entities 62 times in its first four years in office.

At congressional hearings in mid-February, senior U.S. defense and intelligence officials testified on China's military modernization. CIA Director Porter Goss told the Senate Select Committee on Intelligence that "Improved Chinese capabilities . . . threaten U.S. forces in the region" and are "tilting the balance of power in the Taiwan Strait." DIA Director Vice Adm. Lowell E. Jacoby reported on developments in China's ballistic and

cruise missile capabilities and continuing sales of WMD and missile technologies by Chinese companies, and suggested that Beijing is seeking to counterbalance U.S. influence globally, noting that “Beijing may also think it has an opportunity to improve diplomatic and economic relations, to include access to energy resources, with other countries distrustful or resentful of U.S. policy.”

Secretary of Defense Rumsfeld provided an update to the Senate Armed Services Committee on China’s military modernization, with a focus on its increasing naval capabilities. He acknowledged that China’s growing capabilities are an issue that the Department of Defense “thinks about and is concerned about and is attentive to.” While the U.S. hopes that China becomes a constructive force in Asia and a constructive player globally, Rumsfeld cautioned that China faces competing pressures between its desires to grow and preserve a “dictatorial system.” “There’s a tension there . . . we need to be attentive to it,” he stated. The newly appointed commander of U.S. forces in the Pacific, Adm. William J. Fallon, echoed Rumsfeld’s apprehension about China’s military expansion and intentions, asking rhetorically what the motivations are behind “this pretty obvious building of military power?”

To Beijing’s dismay, the U.S. and Japan agreed on a new joint security statement, which for the first time identified the promotion of a “peaceful resolution of issues concerning the Taiwan Strait” among the two countries’ “common strategic objectives.” The Joint Statement of the U.S.-Japan Security Consultative Committee, issued Feb. 19, also called on China to increase transparency in its military affairs and recognized the importance of developing “a cooperative relationship with China, welcoming the country to play a responsible and constructive role regionally as well as globally.”

China’s Foreign Ministry spokesman expressed “grave concern” about the joint statement and termed the inclusion of Taiwan in the joint statement as “inappropriate.” He warned further that the U.S.-Japan security alliance should not exceed the scope of a bilateral arrangement. China’s *Xinhua News Agency* accused Japan and the U.S. of “interfering with China’s internal affairs and setting an impediment to its great cause of reunification.” The inclusion of Taiwan, as well as the Korean Peninsula, in the U.S.-Japanese security cooperation mechanism “has breached a bilateral framework,” *Xinhua* charged, and signaled that the alliance is “set for substantial changes.”

To Lift or Not to Lift?

The U.S. and China continued to spar over whether the arms embargo imposed on China by the European Union in 1989 after the Tiananmen atrocities should be lifted or remain in place. Both the Bush administration and Congress warned that lifting the embargo would send the wrong signal to China, especially given its recent passage of the anti-secession law and increase in military spending. The House of Representatives passed a resolution Feb. 2 urging the EU to maintain the embargo by an overwhelming vote of 411-3. Bolstered by the House vote, President Bush declared in Brussels that there is “deep concern in the U.S. that the transfer of weapons would ... change the balance of relations between China and Taiwan” and put the Europeans on notice that “Congress

will be making the decision on how to react.” While traveling in Asia, Secretary Rice advised the EU to “do nothing to contribute” to the possibility that Chinese forces might turn European technology on Americans, who have acted as the “security guarantor” in the Pacific.

China lobbied intensively for lifting the ban, dispatching Foreign Minister Li to Europe in mid-March to meet with EU officials. Li called the embargo “political discrimination” that is “obsolete, useless and harmful,” and out of step with China’s positive relationship with the EU. Chinese scholars privately voiced skepticism that U.S. opposition to removing the embargo was driven by concern about an imbalance in the Taiwan Strait. Rather, they suggested that Washington seeks to block China’s emergence as a great power and forestall a potential alignment of Europe and China against the United States.

Strong U.S. pressure and China’s anti-secession law sparked renewed opposition in European parliaments and produced new fissures among European states, which led to speculation toward the end of the quarter that the decision to remove the embargo would be postponed. It remains to be seen, however, if this temporary victory for the Bush administration will last, since France and Germany remain committed to lifting the ban.

Looking Forward

As George W. Bush’s first term in office ended and transitioned relatively seamlessly to his second term, U.S.-Chinese relations remained an intricate web of cooperation and long-term mutual distrust. Beijing is unnerved by Washington’s efforts to bolster its regional alliances and relationships to more effectively shape the strategic environment in which China rises. The fall of governments in Georgia, Ukraine, and Kyrgyzstan have revived concerns among many Chinese of U.S. encirclement. Pressure on China’s new leadership to assume greater responsibility for securing the denuclearization of the Korean Peninsula is also not welcomed by Beijing. The U.S. continues to view China as an uncertain factor in regional and international politics, and remains on guard against the danger of Chinese miscalculation on Taiwan. China’s military buildup is increasingly worrisome to Washington, especially amid the possibility of renewed cross-Strait tensions.

Yet the two countries also have important shared interests and see benefits in expanding their cooperation where their interests overlap. The list of interests is long and growing. It includes promoting trade and investment; reducing tensions in regions in crisis and grappling with failed states; fighting poverty and disease, and environmental degradation; and countering proliferation and terrorism. In the next few months, the U.S. and China will begin a global dialogue on strategic issues. An initiative proposed by Hu Jintao to President Bush in Santiago, Chile last September, this bilateral mechanism will be headed by Deputy Secretary of State Robert Zoellick and his Chinese vice-ministerial counterpart. The talks are expected to include both regional issues of mutual concern, such as the Middle East, Sudan, Haiti, South Asia, North Korea, and Taiwan, as well as transnational and global questions like energy and UN reform. These high-level discussions will provide greater opportunities not only to exchange views on regional and

global security, but also to develop an action-oriented agenda to conduct more meaningful and effective cooperation.

Chronology of U.S.-China Relations^{*} **January-March 2005**

Jan. 3, 2005: *Federal Register* reports that penalties were imposed on eight Chinese entities under the Iran Nonproliferation Act for the transfer to Iran of equipment and technology that have the potential to make a material contribution to the development of weapons of mass destruction or cruise or ballistic missiles.

Jan. 4, 2005: Taiwan Affairs Office Director Chen Yunlin arrives in Washington for talks with U.S. officials and members of Congress about the proposed anti-secession law.

Jan. 6, 2005: Under Secretary of Commerce Grant Aldonas says in Hong Kong that economic and trade relations between the U.S. and China have never been better and that China is now a very open market.

Jan. 6-16, 2005: Rep. J. Randy Forbes leads a House delegation to China and South Korea to assess military and economic trends in those countries and their effect on American relations.

Jan. 11-13, 2005: Rep. Tom Lantos of the House International Relations Committee visits China and meets with State Councilor Tang Jiaxuan, Vice Foreign Minister Zhou Wenzhong, and Chinese Ambassador in Charge of the Korean Peninsula issue Ning Fukui.

Jan. 11, 2005: Outgoing Secretary of Commerce Donald L. Evans arrives in Beijing for a China-U.S. roundtable conference on intellectual property rights. He meets Chinese leaders including Wen Jiabao, Wu Yi, and Bo Xilai and discusses China-U.S. trade, economic relations, and other related issues.

Jan. 11, 2005: U.S.-China Economic and Security Review Commission releases “U.S.-China Trade, 1989-2003: Impact on Jobs and Industries, Nationally and State-by-State.”

Jan. 12, 2005: Chinese Defense Minister and Central Military Commission Vice Chairman Cao Gangchuan meets delegation from House Armed Services Committee and expresses hopes for stable progress in U.S.-Chinese military relations.

Jan. 15, 2005: U.S. congressional delegation, headed by Curt Weldon, meets Vice Chairman of the Standing Committee of National People’s Congress (NPC) Cheng Siwei and others to discuss China-U.S. relations, cooperation between the legislative bodies of the two countries, and the North Korea nuclear issue after a visit to Pyongyang.

^{*} Compiled by Cheng Sijin, CSIS intern and Ph.D candidate, Boston University.