CARNEGIE ENDOWMENT
for International Peace

22
February 2003

Policy Brief

Reverse Course? The Fragile Turnaround in U.S.–China Relations

Michael Swaine
Senior Associate, Carnegie Endowment for International Peace

SUMMARY

A remarkable improvement has taken place in U.S.–China relations during the past fourteen months, largely as a result of the 2001 terrorist attacks. Both sides have developed strong incentives to downplay their differences and seek common ground in a variety of areas, particularly the struggle against terrorism. If properly managed, this situation could lead to a more stable, mutually beneficial relationship during the next several years. However, the major obstacle to reaching this objective remains the Taiwan issue, which continues to exhibit highly destabilizing trends. In particular, political and social dynamics on Taiwan, Beijing's steady accumulation of military power, and the rapidly deepening U.S.–Taiwan security relationship could combine to increase the likelihood of conflict within the next five to seven years. To avoid this, and to establish a more sustainable basis for improved U.S.–China relations, the U.S. government must undertake policy changes, beginning with a serious effort to negotiate mutual arms reductions across the Taiwan Strait. ■

Relations between the United States and China have undergone a dramatic transformation during the past fourteen months. The harsh rhetoric and tense encounters of the first year of George Bush's administration have given way to growing signs of cooperation. The presidents of the two countries have now met an unprecedented three times within the past fourteen months and have reportedly established a smooth working relationship. And both sides have agreed to downplay their most potentially volatile differences to address common problems, especially the struggle against global terrorism.

The depth and breadth of the new cooperative Sino–American relationship—described by insiders as totally unprecedented since at least the Tiananmen Square incident of June 1989—has gone largely unappreciated by many outsiders. And many of those who recognize the importance of the transformation largely misinterpret its origins. Some attribute the shift primarily to the Bush administration's tougher China policy, which has supposedly compelled Beijing to discard confrontation for a more compliant stance. Others argue that China's response is rooted in its deeper adaptation to the norms of the U.S.–led international order that has long been under way. In truth, although the new relationship has emerged as a result of a combination of these and other factors at work in both countries, its primary explanation lies in the new environment engendered by the events of September 11, 2001.

A Critical Shift in U.S. Policy: Bush Weighs In and Cheney Concurs

Before September 11, the Bush administration was divided over how to handle China. Vice President Richard Cheney, Secretary of Defense Donald Rumsfeld, and their tough-minded staffs—all proponents of global stability through unqualified U.S. dominance—believed that U.S. policy toward China must focus on actively constraining, if not containing, Beijing. This effort was to combine expanding military deployments in and access to Asia with greater political and military assistance to Taiwan, strengthened political relations with democratic allies and friends, and the overall treatment of China as a nascent strategic adversary.

Michael Swaine is a senior associate and codirector of the China Program. He came to the Carnegie Endowment after twelve years at the RAND Corporation, where he was research director of the Center for Asia–Pacific Policy as well as the first recipient of the RAND Chair in Northeast Asian Security. He specializes in Chinese security and foreign policy, U.S.–China relations, and East Asian international relations and is the author of more than 10 monographs on security policy in the region, including *Ballistic Missiles and Missile Defense in Asia* (National Bureau of Asian Research, 2002) and *China's Grand Strategy: Past, Present, and Future*, with Ashley Tellis (RAND, 2000). Swaine holds a doctorate from Harvard University.

In contrast, the State Department under Colin Powell—while supporting many elements of the Rumsfeld–Cheney approach—believed that Washington needed to reduce the intense distrust and antagonism between the two countries resulting from the highly acrimonious EP-3 spy plane incident of April 2001. This perspective recognized that America's expanding economic and technological involvement with China, Beijing's growing influence in the region and in international organizations, and the uncertainty of China's future political orientation together argued for greater bilateral cooperation in handling a growing number of common problems.

These two approaches to China coexisted for many months within the Bush administration and produced an inconsistent, sometimes erratic public articulation of policy. However, after September 11, Washington's need for immediate cooperation with the major powers deflected attention away from long-term concerns about the rise of China. As a consequence, the State Department–Powell approach eventually elicited strong support for improved relations with China not only from President Bush but also from Vice President Cheney, thus ensuring that this approach would become U.S. policy.

Meanwhile, in contrast, Taiwanese missteps have cooled relations with Washington. Some senior Bush administration officials have become increasingly irritated by Taipei's persistent effort to extract ever-increasing political support from Washington. Various indiscreet public remarks made by Taiwan officials regarding confidential interactions with the United States—as well as provocative statements about the Taiwan–China relationship uttered by Taiwan president Chen Shui-bian and senior members of his government—have also soured some in Washington.

Senior Pentagon officials also chafe at the apparent unwillingness or inability of Taiwan's leaders to make serious structural improvements in defense forces and to procure approved U.S. weapons systems. In all, U.S. officials fear that the Chen government's preoccupation with short-term tactical political advantage—including greater signs of U.S. support—has impaired its ability to develop coherent, long-term internal and international strategies.

The Chinese Response: Taking Advantage of an Opening

China's decision to greatly reduce the level of friction with Washington and to cooperate in the war on terror and in other important areas such as nonproliferation greatly facilitated the shift in Washington's stance. The Chinese policy change began well before September 11 but received enormous impetus from that day's tragedies. It was motivated by many factors, both tactical and strategic.

First and foremost, the Chinese leadership quickly realized that the basic post–September 11 reorientation of American strategy presented major opportunities for China. September 11 not only overrode, or at least muted, U.S. concerns over China's rising power; it also provided a new foundation for improved relations. In the joint struggle against terrorism, China is well positioned to significantly assist the United States at relatively little cost. Beijing's political and diplomatic support in the United Nations and its provision of important intelligence on terrorist activities have earned credit in Washington. Moreover, the prospect that the United States might become involved in a protracted and divisive conflict with Iraq gives China additional potential leverage, especially if such a conflict were to produce serious divisions between the United States and its allies and friends. In short, China's leaders quickly recognized that September 11 would provide significant "breathing room" for Beijing's policies while increasing the value to the United States of amicable U.S.–China relations.

Second, China's leaders now believe that many political, economic, and perhaps even military trends regarding Taiwan—the most volatile issue between Washington and Beijing—favor Beijing in the long run. This is not to say that the Chinese are convinced that the Taiwan problem can be resolved

peacefully; rather, they believe they will ultimately acquire the necessary leverage to resolve it largely on their terms, with or without force. For this to happen, however, Beijing knows it must first significantly reduce tensions with Washington. This would facilitate its ongoing efforts to isolate the Chen government, to increase the cross–Taiwan Strait pull generated by China's economic dynamism, and to strengthen its coercive military capacities against both Taiwan and the United States. Moreover, China's confidence in its growing military strength vis-à-vis Taiwan is bolstered by Taipei's military problems.

Equally important, the Chinese leadership believes that the Bush administration is—at least for the present—committed to preventing Taipei from pressing for greater independence from the Mainland. Beijing recognizes that Washington does not want Taipei to take any action that might provoke China and thereby create a distracting Sino–American crisis in the midst of the war on terror. Washington's highly negative response to Chen's controversial remarks of August 3, 2002—in which he spoke of the need to prepare the groundwork for a national referendum on Taiwan's status and described the cross-Strait relationship as being between two states—provided a telling case in point of Washington's new priorities.

Beijing's policy shift also stems from a recognition that China's economic attractiveness to Taiwan, as well as its own domestic stability, are increasingly dependent on deepening trade, investment, and technology links with the United States. America has in many ways become a critical engine for China's continued high rate of economic growth. Antagonistic relations with Washington would damage these ties, weaken the Chinese economy and thereby greatly reduce China's magnetic pull on Taiwan, and lower popular support for the Chinese government.

In addition, more than before, China requires a quiescent external environment centered on stable U.S.–China ties so that it can concentrate on a growing set of domestic challenges, including generational leadership change, corruption, social unrest, the banking crisis, environmental degradation, the implementation of essential economic changes mandated by the World Trade Organization, and the successful holding of the 2008 Olympics.

China's leaders also now recognize that it does little good to stridently confront Washington over Taiwan or over America's alleged "hegemonic behavior." To the contrary, confrontation is more likely to provoke tough, retaliatory U.S. responses. This new mood also reflects a long-term learning

The shift in United States–China relations was confirmed on the U.S. side by the Bush administration's National Security Strategy of September 2002, which identified global terrorism—not a rising China—as America's primary strategic threat and clearly asserted the need for Washington to work closely with China and the other major powers to combat it. On the Chinese side, Beijing has offered significant levels of assistance to Washington in the war against terror and, since the fall of 2002, has greatly strengthened its formal mechanisms for enforcing internal controls on the export of items related to weapons of mass destruction or that have dual uses. As a result of both countries' heightened commitment to greater cooperation, hard-liners in Beijing and Washington have been quieted, at least for the present.

The depth and breadth of the cooperative Sino-American relationship has gone largely unappreciated by many.

process in which a growing number of Chinese specialists in many important policy areas accept the benefits for China of greater involvement in and compliance with international norms. China now has a much greater stake in the international status quo. It has been adjusting its domestic laws, media, science, technology, and culture to the global system. Hence, a prolonged confrontation with the United States would produce enormous disruptions for Beijing.

China's growing regional and global political and economic influence has diminished its long-standing international insecurities. Chinese leaders are more confident in their interactions with other powers and feel they can exercise more subtle leverage against potential American pressure. This change has made Beijing less inclined to confront the United States openly over a variety of issues.

Finally, Russian president Vladimir Putin's post–September 11 decision to align more closely with the United States greatly undermined China's nascent efforts to develop a close China–Russia partnership, which had been infused with anti-Americanism. Beijing was thus left with the option of either standing alone against U.S. unilateralism or adopting a more cooperative stance.

The Festering Taiwan Problem

Although the marked improvement in their relations has depth and potential durability, Washington and Beijing continue to hold very different views on key security issues—from China's future strategic posture in Asia to proliferation, the structure of Asian trade and investment, and the U.S. international role.

The Chinese leadership remains especially concerned by the post–September 11 U.S. political and military presence in Central and South Asia, especially in China's long-term strategic partner, Pakistan. Heightened U.S. military deployments in Asia and the Pacific and the deepening of U.S. ties with Taiwan also cause major alarm. For its part, the United States continues to hedge against the possible long-term emergence of a more assertive China and the possibility of a confrontation over Taiwan. Although quiet for now, hard-liners in both capitals continue to harbor strong suspicions regarding the motives and actions of the other side and to advocate policies designed to contain or undermine each state's power or influence.

Thus, despite the strong incentive to cooperate, several factors could still precipitate tension or even confrontation between the two powers. The prosecution of the war on terror could eventually lead Beijing to resist U.S. actions in some areas, thereby creating bilateral confrontations. In addition, bilateral trade and investment friction could increase as China attempts to augment its economic presence in Asia and/or adjust to the demands of belonging to the World Trade Organization. However, among these factors, the Taiwan issue is by far the most dangerous. Three underlying realities, all largely unaffected by the broader improvement in U.S.–China relations, make it so: the highly unstable features of Taiwan's domestic politics and society, Beijing's steady accumulation of military power, and the rapidly deepening U.S.–Taiwan security relationship. Together, they are accelerating the arms race across the Taiwan Strait, compelling the Taiwan government to seek more and more U.S. support, and encouraging Taipei to intensify its effort to create an independent nationalist identity among Taiwan's populace.

Since taking office in March 2000 with a small plurality of votes, Taiwan's weak Chen government has been embroiled in a zero-sum political conflict with the two major opposition parties, the former ruling Kuomintang (KMT) Party and the KMT-breakaway People First Party, which together hold a majority of seats in the legislature. This protracted political struggle, along with Chen's inability to develop a strong leadership team in the areas of economics and cross-Strait policy, have virtually paralyzed the government in Taipei. More important, it has forced Chen to rely on a core base of pro-independence activists within his Democratic Progressive Party (DPP) and on former president Lee Teng-hui and Lee's party, the pro-independence Taiwan Solidarity Union

(TSU). Unlike the opposition, many individuals in these two groups totally reject the "one China" concept. Instead, they promote the complete "de-Sinicization" of Taiwan and desire a so-called breakthrough in diplomatic relations with Washington by virtually recreating the U.S.–Taiwan political and military alliance of the 1950s and 1960s. Moreover, they have strong reasons to move quickly—while the pro-Taiwan Bush administration is still in office (assuming Bush will be reelected), while China has a strong incentive to avoid any confrontations that might adversely affect preparations for the 2008 Beijing Olympics, and while Lee Teng-hui (now 79 years of age) is still active in politics and retains influence over the Chen government.

Paradoxically, the Chen government is under increasing pressure—as a result of rapidly expanding cross-Strait economic and cultural links—to support the expansion of direct contacts with the Mainland. Such links—strongly backed by Taiwan's business elite—offer the best way to improve Taiwan's ailing economy and to kick-start greatly needed domestic economic reforms. Yet Chen's dependence on DPP radicals and Lee's TSU enduring. Taipei pursues these tactics both because it believes that the Bush administration is more sympathetic to Taiwan's aspirations than any previous U.S. administration and because the cross-Strait military balance is shifting toward Beijing, requiring greater countervailing American support for Taiwan.

Contrary to the belief of some officials in Washington and Taipei, a stronger Taiwan might destabilize cross-Strait relations rather than facilitate a dialogue.

Thus it is no surprise that Chen has advanced the effort—begun during the late Lee Teng-hui era—to build a new political center in Taiwan that largely precludes any future acceptance of a single sovereignty across the Taiwan Strait. Chen does not, and in all probability will not, go so far as to declare independence. Indeed, he has foresworn doing that unless Beijing attacks Taiwan. Yet he has maintained close ties to the Taiwan independence movement and named long-standing advocates of independence as his advisers. His need to court pro-independence supporters was most recently indicated in early August, as was mentioned above.

Abroad, the Taiwan government is pressing for greater U.S. sympathy for the aquisition by Taipei of offensive arms and for symbolic gestures calculated to underscore, both to China and to Taiwan's citizens, that Washington's support is unwavering and likely means that further expansion of interactions with the Mainland (such as the long-awaited negotiations for opening direct shipping, air, and postal links) will almost certainly be counterbalanced by an even more strenuous effort to increase U.S. support for Taiwan, as well as more determined movement toward a separate national identity.

Although the Bush administration wishes to prevent instability across the Taiwan Strait, its approach to strengthening Taipei's defense capabilities carries the potential to produce the opposite outcome. In contrast to his reluctant compliance with the White House's efforts to encourage greater engagement with the Chinese military, Secretary of Defense Rumsfeld has broadly interpreted the early Bush commitment to strengthening Taipei's ability to defend itself. U.S. security interactions with Taiwan have grown rapidly under Rumsfeld, from a few contacts in narrowly defined

venues to an expanded range of direct military-to-military activities. These collaborations include detailed studies of Taiwan's defense needs; frequent and more public dialogues between U.S. and Taiwan defense officials, military officers, and strategists; assistance in restructuring Taiwan's defense establishment and decision-making process; the presence of Taiwan officers in U.S. military exercises; and the creation of direct links for sensitive data between U.S. and Taiwan military systems.

Beijing's intensifying effort to strengthen its coercive capabilities against Taiwan necessitates a vigilant response from the Pentagon, the organization charged with "worst casing" the complex United States–China–Taiwan security situation. However, absent either the resumption of a stabilizing cross-Strait dialogue or the negotiation of a new understanding between Washington and Beijing on U.S.–Taiwan interactions, the seemingly open-ended deepening of the United States–Taiwan defense relationship could eventually derail United States–China rapprochement. Specifically, U.S. policy could exacerbate the expanding arms race across the Strait and thereby create a sense that conflict between the two sides is inevitable.

It could also reduce even further Taiwan's willingness to negotiate with the Mainland. Contrary to the belief of some officials in Washington and Taipei, a stronger Taiwan might destabilize cross-Strait relations rather than facilitate a dialogue, especially given existing political dynamics on the island. Moreover, close inter-operability between U.S. and Taiwan forces—viewed by some as a logical outcome of current trends—could cause Beijing to believe that Washington favors the resumption of the former United States–Taiwan security alliance advocated by the independence movement. This could eventually prompt Beijing to undertake military action to preempt such a development.

The likelihood of such an outcome would increase significantly if Beijing's current level of optimism regarding cross-Strait economic and political trends were to suffer a reversal. This could occur if China's economic growth or political stability were to falter, if all of Taiwan's mainstream political elites were to reject any future consideration of the "one China" concept, or if the United States supported even closer U.S.–Taiwan political relations. Members of Congress who advocate ever closer relations with Taiwan or express sympathy for Taiwan's independence, without regard for the impact such actions might have on the larger U.S.–China relationship, play a very dangerous game. China's leaders can neither be pressured nor coerced into accepting a permanently independent Taiwan. Because they believe that the stability of the Chinese government depends on their ability to resist such "national dismemberment" by all means possible, they would rather fight and lose a war with the United States than accept such an outcome.

For China's leaders, the political reunification of Taiwan with the Mainland would redress the last major outstanding act of foreign aggression of the imperialist era—the forcible seizure of Taiwan by Imperial Japan—and thereby serve as a critical indicator of the renewed power and prestige of the Chinese government. The permanent "loss"

The key to deepening the U.S.–China relationship lies in establishing greater harmony between American policy toward Taiwan and the larger strategic stance toward Beijing.

of Taiwan would be viewed as a national humiliation and a clear confirmation of the fundamental weakness, incompetence, and illegitimacy of that government.

Policy Implications

A more cooperative relationship with China offers enormous potential benefits for the United States beyond assistance in the war against terror. It could greatly facilitate the handling of increasingly dangerous situations on the Korean peninsula and in South Asia and also contribute to a reduction in the proliferation of weapons of mass destruction and related technologies. Eventually, it could blunt the forces of mutual suspicion and rivalry and lay the foundation for much more harmonious relations. However, the key to deepening the United States–China relationship lies in establishing greater harmony between American policy toward Taiwan and the larger strategic stance toward Beijing.

The Bush administration and Congress must recognize that, despite the current improvement in relations, a very real danger of a U.S.–China conflict over Taiwan remains. Avoiding such a conflict requires a careful balancing of deterrence and more credible reassurance directed at both Beijing and Taipei. While recognizing the need to maintain a strong deterrent against Beijing, the U.S. government should pay greater attention to the sources of provocative behavior within Taiwan. The administration and Congress should seek to constrain such Taiwanese behavior (and in the process reassure Beijing) by asserting as policy what some U.S. officials have stated unofficially: that the United States will actively *oppose* what it regards as any unilateral change in the status quo by either side. The United States should also reiterate at the highest level that, while it remains committed to protecting Taiwan from any use of force by the Mainland, it has no strategic interest in permanently separating Taiwan from China and supports a stable, prosperous, and secure China.

On the basis of such assurances, Washington should also indicate that China would gain by increasing not only its economic but also its political attractiveness to Taiwan. The U.S. government—including Congress—should be prepared to support this effort by assisting China more directly in a long-term effort to strengthen the rule of law and to carry out more meaningful political reforms. Yet Washington also should encourage Beijing to adopt a more flexible position toward Taiwan's involvement in international organizations. The recent change of leadership in Beijing might provide an opportunity to undertake such initiatives, once that leadership has consolidated its position.

Finally, as an essential precondition for all of these initiatives, Washington should work to lower Taiwan's intense distrust of the Mainland and encourage China to reduce its destabilizing arms buildup opposite Taiwan. The only way to do so is to open a serious dialogue with Beijing on mutual arms reductions, in consultation with Taipei. Chinese president Jiang Zemin recently indicated that Beijing might be prepared to engage in such a dialogue by offering to withdraw China's short-range mobile ballistic missiles facing Taiwan in return for a reduction in U.S. arms sales to the island. This offer is unacceptable on its face, because mobile missiles constitute only one of several possible threats to Taiwan and can be easily repositioned, whereas U.S. arms sales constitute Taiwan's most important military acquisitions and require long-term planning and implementation. However, the offer suggested for the first time that Beijing might be willing to engage in a dialogue on reversing the trend toward militarizing cross-Strait relations. This potential opening should be fully explored by the Bush administration.

The tragic events of September 11 created the basis for a significant, perhaps lasting, improvement in U.S.–China relations. To seize this opportunity, the Bush administration must be willing to commit significant energy and resources to forging a domestic consensus on new initiatives designed to stabilize the perilous Taiwan situation and to strengthen the basis for mutual trust that would have positive consequences in areas of vital importance to all Americans. ■

CARNEGIE ENDOWMENT
for International Peace

www.ceip.org

Visit the new Carnegie Endowment web site: "A must for the web surfer interested in global affairs."

—Dow Jones Business Directory

The Carnegie Endowment for International Peace is a private, nonprofit organization dedicated to advancing cooperation between nations and promoting active international engagement by the United States. Founded in 1910, its work is nonpartisan and dedicated to achieving practical results. Its research is primarily grouped in three areas: the Global Policy Program, the China Program, and the Russian and Eurasian Program.

Related Resources

Visit www.ceip.org/pubs for these and other publications

Beijing Drama: China's Governance Crisis and Bush's New Challenge, Minxin Pei. Carnegie Policy Brief 21, November 2002.

China's Governance Crisis, Minxin Pei. *Foreign Affairs,* September/October 2002.

Bush Has A Tiger By The Tail With His China Policy, Michael Swaine. *Los Angeles Times*, June 17, 2002.

Domestic Change In Taiwan and U.S.–Taiwan–China Relations. Meeting report from the Carnegie China Program, February 2002.

Taiwan's Foreign and Defense Policies: Features and Determinants, Michael Swaine, with James Mulvenon (RAND, MR-1383-SRF, 2001). Available at www.rand.org/publications.

Interpreting China's Grand Strategy: Past, Present, and Future, Michael Swaine, with Ashley J. Tellis (RAND, MR-1151-AF, 2000). Available at www.rand.org/publications.

CARNEGIE ENDOWMENT
for International Peace
1779 Massachusetts Avenue, NW
Washington, DC 20036