

Issue Brief for Congress

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China-U.S. Relations

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China-U.S. Relations

SUMMARY

In the wake of the September 11, 2001 terrorist attacks against the United States, U.S. and PRC foreign policy calculations appear to be changing. The Administration of George W. Bush assumed office in January 2001 viewing China as a U.S. “strategic competitor.” Administration officials faced an early test in April 2001 when a Chinese jet collided with a U.S. Navy reconnaissance plane over the South China Sea, resulting in strained relations and PRC accusations that U.S. reconnaissance activities were unfriendly acts. Since September 11, though, U.S. officials have come to see Beijing as an important potential ally in the fight against global terrorism, while PRC officials see the anti-terrorism campaign as a chance to improve relations with Washington and perhaps gain policy concessions on issues important to Beijing. U.S. anti-terror priorities have led some to suggest that cooperation against terrorism could serve as a new strategic framework for Sino-U.S. relations.

But there are complexities and pitfalls on this road to cooperation. For one thing, the PRC’s definitions of what constitutes terrorism are significantly more expansive than those of the United States, and include any political expression of independence – both violently and peacefully expressed – by Tibetans, Uighrur Muslims, Taiwanese, and others. Since the United States maintains that the anti-terror campaign must not be used to persecute these groups, Sino-U.S. cooperation already faces limits. Also, U.S. dominance of the anti-terrorism effort has made Washington suddenly appear to be a more threatening competitor for influence in Central Asia, where Beijing had been making successful political inroads in recent years, and in Pakistan, with which Beijing has traditionally close relations.

Moreover, although the anti-terror campaign is likely to overshadow more traditional U.S.-China bilateral problems, it is unlikely to eliminate them. Sensitivities remain over long-standing issues such as China’s abusive record on human rights issues and on accusations that it routinely violates its non-proliferation commitments, increasing the possibility that weapons of mass destruction can fall into the hands of terrorists. The PRC is thought to remain suspicious about the accidental NATO bombing of the Chinese Embassy in Belgrade in 1999, concerned about what they see as an “encircling” U.S. presence in Asia, and wary of U.S. technological advantages and global influence.

U.S. observers also remain mindful of allegations that Beijing was involved in illegal financial contributions to U.S. political campaigns in 1996, and of allegations that PRC nuclear weapons design has profited greatly from secrets stolen from U.S. nuclear research labs. In addition, Taiwan remains the most sensitive and potentially explosive issue in Sino-U.S. relations, with U.S. officials increasingly supportive of Taiwan’s security and its democratization, and PRC officials adamant about reunifying Taiwan with the PRC.

One long-standing bilateral issue that will not be resurfacing is the U.S. debate over China’s normal trade relations (NTR) status. The 106th Congress enacted H.R. 4444 (P.L. 106-286), a law granting the PRC permanent NTR upon its accession to the World Trade Organization (WTO). The PRC formally joined the WTO on December 11, 2001. Future trade debates concerning the PRC are likely to occur within this multilateral framework, over whether or not Beijing is living up to its WTO agreements.



MOST RECENT DEVELOPMENTS

On May 8, 2002, Chinese police entered the compound of the Japanese consulate in Shenyang to forcibly remove two North Korean refugees seeking asylum. The Japanese government has protested strongly on the grounds that the action violates the Vienna Convention guaranteeing the inviolability of foreign government missions.

On April 25, 2002, the Los Angeles Times reported that a new CIA assessment reports that the Chinese government in Beijing are actively planning hacking and virus attacks against U.S. computer systems. The allegation was denied by a science and technology official in the Chinese Embassy in Washington.

Beginning April 23, 2002, Vice-President Hu Jintao, considered to be the prime candidate for elevation to Communist Party Secretary later this year, left China for what is thought to be his first visit to the United States.

During the week of April 22, 2002, U.S. Secretary of Commerce Don Evans led a business delegation to Beijing as part of a meeting of the U.S.-China Joint Commission on Commerce and Trade.

On April 21, 2002, PRC President Jiang Zemin concluded a five-nation tour of Europe, Africa, and the Middle East, during which he issued a fairly strong denunciation of U.S. policy and the U.S. military presence in Central Asia and the Middle East.

BACKGROUND AND ANALYSIS

Background

Since the early 1990s, U.S.-China relations have followed an uneven course, with modest improvements overshadowed by various recurring difficulties. Among others, bilateral difficulties have included U.S. problems with the PRC's worsening human rights record, growing tensions over Taiwan's status and a PRC southern military build-up opposite Taiwan, continued controversy over allegations of Chinese espionage against the United States, tension over the accidental NATO bombing of the Chinese Embassy in Belgrade in May 1999, the PRC's detention of Chinese American scholars, and the lengthy delay associated with the return of a U.S. navy crew and reconnaissance plane disabled by a collision with a Chinese jet fighter. These problems have occurred against a steady drumbeat of growing mutual suspicion over the perceived security threat that each poses to the other.

Many of these tensions were played out during the Clinton Administration, which had inherited a Sino-U.S. relationship that was already shaky due to repercussions from the Tiananmen Square crackdown. President Clinton was elected in 1992 with a heavy focus on a domestic U.S. economic agenda and less emphasis on a broad or well-articulated foreign policy agenda. When it came to China policy, the early Clinton Administration staked out a position – markedly different from that of its own predecessor, the Administration of

George H.W. Bush – that the United States should use its economic leverage to promote democracy in the PRC. In his first year in office, President Clinton announced he would link the PRC's future most-favored-nation (MFN) trade status with improvements in its human rights policies, and he made political appointments and took other actions that suggested he would pursue a fairly tough policy. This initial approach soon was abandoned, and the following year, Mr. Clinton “de-linked” the PRC's human rights policies and its MFN status, and began to alter his policy approach.

Like President Bush before him, President Clinton came to favor a policy of “engagement” with China. He generally moved to solidify and improve aspects of Sino-U.S. relations, annually extended the PRC's MFN status, periodically waived various sanctions, authorized resumption of Sino-U.S. nuclear cooperation and, in 1997, re-initiated high-level summitry with the PRC's senior leader, Party Secretary Jiang Zemin. In a joint statement issued at that summit, both sides agreed to establish “a constructive strategic partnership.” U.S. critics of the Clinton policies charged that the PRC continued to violate its non-proliferation commitments and its pledges on human rights. Some of these critics described the PRC as America's principal threat, and they increasingly objected to the overall U.S. policy of “engagement” with the PRC pursued by successive U.S. Administrations.

Upon assuming office in January 2001, the George W. Bush Administration promised a tougher approach, describing the PRC as a “strategic competitor” of the United States. Bush Administration officials indicated they would broaden the focus of American policy in Asia, concentrating more on Japan and other U.S. allies and de-emphasizing Sino-U.S. relations.

The September 11 terrorist attacks against the United States appeared to alter, at least temporarily, the policy calculus for both Washington and Beijing. Bush Administration officials appeared to see the potential for Sino-U.S. cooperation against global terrorism as a priority, and they down-played other key differences and problems in the relationship evident during much of 2001. U.S. officials have sought PRC support with countries in the region and in initiatives put before the United Nations Security Council, where the PRC is a permanent member. Nevertheless, Bush Administration officials also have suggested that only limited cooperation is possible with the PRC. Statements made by the President and by others in his Administration in 2002 have been much more positive toward Taiwan – the most sensitive issue in U.S.-China relations, than in previous U.S. Administrations.

Beijing, for its part, appeared to see the U.S. anti-terrorism effort as a chance to improve Sino-U.S. relations, soften U.S. criticism, and demonstrate that China can be a responsible global player. PRC leaders offered to share intelligence and take other steps to cooperate with the U.S. anti-terror initiative. But some American observers also have warned that Beijing may see current U.S. anti-terrorism priorities as an opportunity to gain U.S. concessions on Taiwan, Tibet, and other issues of importance to the PRC.

PRC Response To U.S. Anti-Terrorism Initiatives

The PRC itself has been the target of bombings, sabotage, and other terrorist attacks, primarily thought to be committed by small groups of Muslim extremists (largely Uighurs) based in Xinjiang, in China's far northwest. For years there have been unconfirmed reports

that some Muslim activists may, in fact, be based in Afghanistan, receiving training from the Taliban – reports that appeared to gain more credence late in 2001 when it was revealed that a number of Uighurs from Xinjiang had been captured in Afghanistan. PRC officials also have strong connections to and influence with Pakistan, which in the past had aided the Taliban government and is now a key country for the U.S.-led anti-terrorism coalition. In addition, in 1996, the PRC took the lead in establishing what is now the Shanghai Cooperative Organization (SCO), a six-member consortium involving the PRC, Russia, and the Muslim countries of Uzbekistan, Tajikistan, Kazakstan, and Kyrgyzstan. Part of the group's stated goal is to curb fundamentalist terrorist activities in the region.

Despite these common interests, it is not yet clear how much actual support the PRC ultimately can give the U.S.-led effort. To many, the early signs were encouraging. In a message to President Bush on September 11, 2001, PRC President Jiang Zemin condemned the terrorist attacks and offered condolences, promising to cooperate with the United States to combat terrorism. The PRC also voted with others in the U.N. Security Council for Resolution 1368 (2001), which among other things “unequivocally” condemned the terrorist attacks and expressed its “readiness to take all necessary steps to respond to the terrorist attacks.” On September 20, Party Secretary Jiang Zemin declared that the PRC offered “unconditional support” in the anti-terrorism campaign, and the PRC's foreign minister, Tang Jiaxuan, reportedly assured President Bush late in September that Beijing would share intelligence with the United States. On September 24, 2001, a group of counter-terrorism experts from the PRC arrived for meetings with their counterparts in Washington.

But the PRC also has sent mixed signals about its support for the anti-terrorism campaign. Strong statements of support have been qualified by other statements – for instance, by expressions of concern about U.S. or NATO military action and fault-finding with U.S. intelligence information. Also, the PRC strongly prefers that such global efforts be conducted through the auspices of the U.N. Security Council, where it has a voice, and not purely through a U.S. unilateral effort or a coalition of U.S. allies. Given past Sino-U.S. difficulties, Beijing may be cautious about appearing too “pro-American,” a political problem that working through U.N. auspices could mitigate. PRC officials in the past have attempted to exact policy concessions from the United States – such as on Taiwan or Tibet – in exchange for their support for U.S. initiatives. On December 12, 2001, for instance, a PRC spokesman was quoted as saying that if PRC Uighurs are captured in Afghanistan, they should be returned to the PRC to face charges of terrorism – a sentiment the United States has rejected. More recently, in April 2002, PRC President and Party Secretary Jiang Zemin was quoted by Agence France-Presse as using harsher rhetoric during a trip to Europe, Africa, and the Middle East – saying that “One of the primary issues for China is to protect developing countries from the pretensions of the United States.”

Other Issues in U.S.-China Relations

President's 2002 Asia Visit

In conjunction with a visit to Japan and South Korea, President Bush also visited China, stopping in Beijing for February 21-22, 2002, his second visit with PRC President Jiang Zemin in four months. The China visit was notable for the subtle but decided change in the

atmosphere of U.S.-China relations since the President first took office. Having begun their relations with a crisis in the South China Sea, both Bush Administration and Chinese officials now apparently see the potential for Sino-U.S. cooperation against global terrorism as an opportunity to craft a more productive and less hostile relationship over the short term. Nonetheless, U.S. officials left without having made progress on resolving the “November 2000 agreement,” in which the PRC promised the Clinton Administration that it would stop making missile sales to unstable Middle East and South Asia regimes and would institute an export control regime, and the United States promised to lift existing restrictions against certain technology exports. During the visit, the PRC maintained that it is legally obligated to follow through on missile sales agreements that pre-date the November 2000 agreement – the so-called “grand-fathering” issue – and that it is still working on an export control regime. U.S. officials interviewed by CRS claimed they had not expected the issue to be resolved during the Bush visit.

U.S. Navy Reconnaissance Plane Collision

On April 12, 2001, the PRC released the 24 American crew members it had held since the mid-air collision of a U.S. Navy EP-3 plane with a Chinese jet fighter on April 1, 2001. The PRC government decision to release the crew came after U.S. Ambassador Joseph Prueher delivered a letter stating the United States was “very sorry” the U.S. plane entered China’s airspace and made an emergency landing without receiving a verbal clearance. Official Chinese media sources insist that the U.S. plane “rammed” the Chinese jet fighter. They claimed that the plane landed at the Hainan military base without permission.

Many observers believe that the heart of the crisis ultimately concerns the status of the island of Taiwan, which Beijing claims as part of China. One important function of U.S. military reconnaissance flights off southern China is presumed to be monitoring the systematic military build-up the PRC has been conducting on its coast opposite Taiwan. It also may be that the stand-off became caught up somehow in China’s ongoing political succession arrangements, scheduled to occur in late 2002. According to some observers, no PRC official who hopes to benefit in those leadership decisions can be seen to be “soft” in dealing with the United States in such cases. In the wake of the September 11 attacks, both U.S. and PRC officials have said that the EP-3 incident is behind them.

Human Rights Issues

The PRC’s human rights abuses have been among the most visible and constant points of contention in Sino-U.S. relations since the 1989 Tiananmen Square crackdown. According to the latest State Department Report on Human Rights, released on March 4, 2002, the PRC’s human rights record remained poor in 2001, and that the government continued to maintain strict controls over religious organizations, political discourse, and publications; that law enforcement agencies continued to carry out extrajudicial killings, executions after summary trials, torture and other cruel punishment; and that there continued to be lack of adequate medical care, arbitrary arrest and detention, judicial corruption, denial of fair trial, and other arbitrary official interferences with individual privacy and liberty. The report also cited major flaws and deficiencies in China’s Criminal Procedure Law, and stressed that the judiciary is not independent, despite constitutional provisions to the contrary, and that judicial and police corruption is “endemic” in China. In addition, the report indicated that there are ongoing government efforts to correct systemic weaknesses in the legal and judicial

systems, that there is growing public debate in China over the inadequacies in the legal system, and that an increasing number of citizens are seeking redress through the courts and making use of the new legal remedies available to them.

Previously, the PRC government signed two key human rights agreements – the U.N. Covenant on Economic, Social and Cultural Rights (October 27, 1997) and the International Covenant on Civil and Political Rights (March 12, 1998) – and announced on February 28, 2001, that it would ratify the former, with qualifications. The U.N. Covenant on Economic, Social, and Cultural Rights, which requires signatory countries to ensure their citizens have access to food, medical care, housing, and education, also requires countries to guarantee workers the right to strike and form labor unions. In ratifying the agreement, China appeared to equivocate on the labor provision, saying it would deal with such issues “in line with relevant provisions” of the Chinese constitution. The only labor union now permitted in China is controlled by the Chinese Communist Party.

Crackdowns Against Religious Beliefs. Over the past year, the PRC intensified its campaign against independent religious groups that it began in 1999, when American news accounts began to give wide coverage to reports that the government was arresting religious practitioners and giving them harsh jail sentences. On July 22, 1999, the government outlawed Falun Gong, a spiritual movement in China said to combine Buddhist and Taoist meditation practices with a series of exercises. The November 6, 1999 *People's Daily* suggested that Falun Gong presented the greatest danger to the nation that had ever existed in its 50-year history. Since then, the government has continued to arrest Falun Gong leaders, impose harsh prison sentences, close the sect's facilities, and confiscate its literature. As a consequence of Falun Gong, the National People's Congress on October 30, 1999, adopted a resolution outlawing religious sects and cults in China. The resolution gave no comprehensive definition of a cult or a sect. In an extraordinary display of public dissent, on March 5, 2002, Falun Gong practitioners cut into the cable network in the northeast city of Changchun and broadcast pro-Falun Gong programs until PRC authorities interceded and terminated the broadcasts.

PRC officials have also ruthlessly suppressed dissent among ethnic minorities, particularly in Tibet and in the Xinjiang-Uighur Autonomous Region, which has a significant ethnic Muslim population. Amnesty International issued a report in April 1999 which accused the Chinese government of “gross violations of human rights” in Xinjiang, including widespread use of torture to extract confessions, lengthy prison sentences, and executions. In August 1999, during the visit of an American congressional staff delegation to Xinjiang, a wealthy and well known Uighur businesswoman, Rebiya Kadeer, was arrested by Chinese security forces on her way to a meeting with a delegation member.

Since September 11, PRC officials have sought to link their ongoing crackdown against Uighur and other Muslim separatists in Xinjiang with the global anti-terrorism campaign. On October 12, 2001, a PRC Foreign Ministry spokesman said, “We hope that our fight against the East Turkistan [Xinjiang] forces will become a part of the international effort against terrorism.” According to a December 16, 2001 *New York Times* article, PRC officials in Xinjiang in October of this year held a public rally at a stadium in Hotan to condemn ethnic Uighurs for separatist activities. The article reported that 6 men were given 12-year prison sentences, while one man was condemned to death and later executed. U.S.

officials have warned that the anti-terror campaign should not be used to persecute Uighur separatists or other minorities with political grievances against Beijing.

PRC Prisons/Prison Labor. Prisons in the PRC are criticized for their conditions, treatment of prisoners, and stringent work requirements. For U.S. policy, a key issue has been the extent to which products made by prisoners are exported to the U.S. market. Prison labor imports have been a violation of U.S. customs law since 1890 under the McKinley Tariff Act [19 U.S.C., section 1307]; criminal penalties also apply under 18 U.S.C., section 1761 and 1762. Because of concerns about prison labor exports, the United States signed a Memorandum-of-Understanding (MOU) with China on the subject in 1992. Since then, there have been repeated allegations that China is failing to adhere to the agreement. Recent U.S. Congresses have considered legislation to increase funding for monitoring prison labor abuses in China.

Family Planning/Coercive Abortion. Bitter controversies in U.S. family planning assistance have surrounded the PRC's population programs. Abortion, and the degree to which coercive abortions and sterilizations occur in the PRC's family planning programs, has been a prominent issue in these debates. PRC officials have routinely denied that coercion is an authorized part of national family planning programs, but they have acknowledged that some provincial and local officials have pursued coercive policies. Direct U.S. funding for coercive family planning practices is already prohibited in provisions of several U.S. laws, as is indirect U.S. support for coercive family planning, specifically in the PRC. In addition, legislation in recent years has expanded these restrictions to include U.S. funding for international and multilateral family planning programs, such as the U.N. Population Fund (UNFPA), that have programs in China. On December 20, 2001, for instance, Congress cleared for the President's signature H.R. 2506, the Foreign Operations, Export Financing, and Related Programs Act, which among other things provides a U.S. contribution to the UNFPA of \$34 million, with the conditions that UNFPA not fund abortions and that it segregate U.S. funds from other UNFPA money so they are not used for programs in China.

Religious Freedom. Membership data on religious organizations in the PRC suggests that the number of religious adherents continues to grow. Nevertheless, Chinese officials decided in 1994 to tighten restrictions on religious practices, and one result was a marked increase in American criticism. Among other things, new restrictions prohibit evangelical activities and require all religious groups to register with the Religious Affairs Bureau (RAB). Registration requires religious groups to reveal the names and addresses of members, their contacts in China and abroad, and details about leadership activities and finances. The RAB, charged with policing and regulating religious activities, is part of the PRC's State Council and reports to the Communist Party's United Front Work Department. Over the past year, the PRC has further tightened its control over religious practices. Among these measures is the establishment, at the central government level, of an "Office for Preventing and Handling Cults" – a measure targeted primarily at the Falun Gong but which many fear may come to include Christian churches and other more mainstream groups. PRC authorities also are conducting a vigorous campaign against so-called "unofficial" or "house" churches – Christian church groups whose members have refused to register with the RAB.

Labor Unrest. Economic reforms and greater stress on the need to make state-owned enterprises profitable have led to rising labor unrest in China. In 2002, laid-off and unemployed workers estimated to number in the tens of thousands have demonstrated to

protest job losses, insufficient severance pay, lack of a social safety net, and local government decisions to shut-down, sell-off, or privatize unprofitable state-owned factories. Worker unrest is a particularly troubling issue for Beijing, a regime founded originally on communist-inspired notions of a workers' paradise. Increasing labor unrest is also likely to place greater pressure on the authority and credibility of the All-China Federation of Trade Unions (ACFTU), China's only legal labor organization, under the leadership of the Chinese Communist Party.

U.S. Commissions on China

In the year 2000, Congress mandated the establishment of two commissions focusing on various aspects of U.S.-China relations:

Congressional-Executive Commission on the PRC. Considered a trade-off for passage of legislation to give PNTR to the PRC (P.L. 106-286), an amendment to the bill created a permanent body – the Congressional-Executive Commission on the People's Republic of China – to monitor human rights in the PRC. Including both House and Senate Members as well as presidential appointees, the Commission's chairmanship rotates between the Senate (odd-numbered Congress) and the House (even-numbered Congress). Members include (Senate): Max Baucus (Chair), Carl Levin, Dianne Feinstein, Byron Dorgan, Evan Bayh, Chuck Hagel, Bob Smith, Gordon Smith, Sam Brownback, and Tim Hutchinson; and (House): Doug Bereuter (Co-chair), Jim Leach, David Dreier, Frank Wolf, Joe Pitts, Sander Levin, Marci Kaptur, Nancy Pelosi, and Jim Davis. Presidential appointees include: Paula Dobriansky (Under Secretary of State for Global Affairs), Lorne Craner (Deputy Assistant Secretary of State for Human Rights and Labor), Jim Kelly (Deputy Assistant Secretary of State for East Asia and the Pacific), Grant Aldonas (Undersecretary of Commerce for International Trade), and D. Cameron Findlay (Deputy Secretary of Labor). For a variety of reasons, including the September 11 terrorist attacks, this commission got off to a slow start; it did no business in 2001, and is not expected to file its first report until late 2002.

U.S.-China Security Review Commission. Now calling itself simply the U.S.-China Commission, this 12-member body was established in 2000 under the Floyd D. Spence National Defense Authorization Act FY2001 (P.L. 106-398) to review the security implications of U.S. economic and trade ties with the PRC. Commissioners are private citizens appointed by the House and Senate. Beginning in 2002, the Commission is to submit an annual report of its assessment to Congress in both classified and unclassified format.

Issues in U.S.-China Security Relations

Once one of the stronger linchpins of the relationship, U.S.-China military relations have never fully recovered after they were suspended following the 1989 Tiananmen Square crackdown. At a Sino-U.S. summit in October 1997, both countries announced they would work to improve military-to-military relations, including an increase in military contacts and a Military Maritime Consultative Agreement (MMCA) meant to reduce the chance of accidents or misunderstandings at sea. What was reported as a "special" meeting of the MMCA was held on September 14-15, 2001, on Guam; the U.S. delegation was led by U.S. Pacific Command representative, Rear Adm. Tom S. Fellin. The Chinese delegation was led by Major Gen. Zhang Bangdong from the PRC's Ministry of National Defense.

2002 U.S. National Intelligence Estimate. On January 9, 2002, the CIA issued an unclassified summary of its latest National Intelligence Estimate (NIE), *Foreign Missile Developments and the Ballistic Missile Threat Through 2015*. According to the unclassified report, the PRC is expected to up to 100 long-range nuclear missiles, many on mobile launchers, targeted at the United States by 2015. Currently, the PRC has about 20 fixed silos containing nuclear-armed missiles capable of reaching the United States. The report asserts that the PRC is upgrading its missile forces out of concern that a U.S. missile defense system, if developed and deployed, could effectively neutralize its current nuclear deterrent.

“China’s National Defense 2000” White Paper. On October 16, 2000, China published its third national security white paper, entitled “National Defense in 2000.” According to reports, the document lists China’s national defense expenditures for 2000 at 121.29 billion renminbi – roughly U.S. \$14.65 billion. In describing its view of the current international security situation, the white paper declares that there are “new negative developments in the security situation” in the region. A number of these are attributed to U.S. actions, including a stronger U.S. military presence in the region, continued sale of weapons to Taiwan and consideration of the Taiwan Security Enhancement Act by the 106th Congress, consideration of theater missile defense (TMD) development, and revision of the U.S.-Japan Defense Cooperation Guidelines. In addition, the paper cites the uncertain environment on the Korean Peninsula, the situation in South Asia, and what it calls “encroachments on China’s sovereignty” in the South China Sea.

Weapons Proliferation. A key security issue for the United States, now enhanced in light of the September 11 terrorist attacks on American soil, has been the PRC’s track record of weapons sales, technology transfers, and nuclear energy assistance, particularly to Iran and Pakistan. Officials in the Clinton Administration believed China had taken a number of steps in the 1990s suggesting it was reassessing its weapons sales and assistance policies. Among other things, the PRC: (1992) promised to abide by the Missile Technology Control Regime (MTCR) and acceded to the Nuclear Non-Proliferation Treaty (NPT); (1993) signed the Chemical Weapons Convention (CWC); (1996) signed the Comprehensive Test Ban Treaty; and (1997) joined the Zangger Committee of NPT exporters.

Congressional critics, however, charged that confidence in China’s non-proliferation policies is misplaced. They pointed out that for years, reputable sources have reported China to be selling technology for weapons of mass destruction and ballistic missiles in the international market, primarily to Pakistan and the Middle East. Although these allegations have always created problems in Sino-U.S. relations, the issue became more serious in light of nuclear weapons tests conducted by Pakistan in May 1998 in response to earlier nuclear weapons tests by India (May 11 and 28, 1998). Critics cite Pakistan’s nuclear weapons tests as proof of PRC assistance. Some U.S. observers are concerned about the security of Pakistan’s nuclear weapons, afraid that they may be vulnerable to theft or purchase by radical Muslims associated with Osama bin Laden and other terrorist groups.

Iran also has purchased PRC weapons, including small numbers of SA-2 surface-to-air missiles, F-7 combat aircraft, fast-attack patrol boats, and C-802 anti-ship cruise missiles. Some Members of Congress have questioned whether Iran’s possession of C-802’s violates the Iran-Iraq Arms Non-Proliferation Act of 1992 (U.S.C. 1701), which requires sanctions on countries that sell destabilizing weapons to Iran or Iraq. In light of the PRC’s assistance

to Pakistan's acquisition of nuclear weapons, congressional critics question PRC promises to halt nuclear cooperation with Iran.

Satellite Technology Transfer Allegations. On January 9, 2002, the Loral Space and Communications Company announced it will pay the U.S. government \$14 million in a settlement relating to long-standing allegations it had helped the PRC improve its space program. The incident first came to light in a *New York Times* front-page article on April 13, 1998, alleging that a classified May 1997 report by the U.S. Department of Defense had concluded that scientists from Hughes and Loral Space and Communications, involved in studying the 1996 crash of a Chinese rocket launching a Loral satellite, had turned over scientific expertise to China that had significantly improved the reliability of China's missile launch abilities. The doomed Loral satellite had been granted an export license as a result of President Clinton's waiver of restrictions in P.L. 101-246 that relate to satellite exports to China. The allegations prompted a special House Select Committee and a number of Senate committees to investigate and find fault with the Administration's decision to grant the satellite export waiver as well as the broader range of U.S. technology transfer policies with respect to China.

Allegations of Espionage. In the late 1990s, U.S. media sources began reporting on investigations into four cases of alleged PRC espionage against the United States dating back to the 1980s. The most serious case involved China's alleged acquisition of significant information about the W-88, the most advanced miniaturized U.S. nuclear warhead, as a result of serious security breaches at the Los Alamos nuclear science lab between 1984 and 1988. In late April 1999, the *New York Times* reported that a Taiwan-born Chinese American scientist, Wen Ho Lee, may have downloaded critical nuclear weapons codes, called "legacy" codes, from a classified computer system at Los Alamos to an unclassified computer system accessible by anyone with the proper password. Lee was fired and indicted on 59 counts of mishandling nuclear data. He pled guilty to one count, and the others were dismissed. On December 12, 2001, a U.S. Justice Department was released alleging that the FBI's investigation of the Lee case was "deeply and fundamentally flawed."

Allegation of Cyber-attack plans. According to an April 25, 2002 article in the *Los Angeles Times*, an assessment by the CIA has concluded that the Chinese military is actively pursuing plans to attack and damage U.S. computer systems. According to the newspaper, the CIA report alleges that the "intended goal" of these plans is to inflict broad damage on U.S. and Taiwan computer systems. The *Times* report quotes a U.S. intelligence official as saying that Beijing is "aggressively working on [its] cyber-war capability." A science and technology official in the Chinese Embassy in Washington denied the allegation.

Economic Issues

China is one of the world's fastest growing economies, and trade analysts agree that its potential as a market will increase significantly in the future. Issues involving trade with China have factored heavily into U.S. policy debates. Between 1991 and 1996, U.S. exports to China increased by 90.5%, while U.S. imports from China surged by 171.4%. The U.S. trade deficit with China has surged accordingly, from a \$17.8 billion deficit in 1989 to \$100.1 billion in 2000. (See CRS Issue Brief IB91121, *China-U.S. Trade Issues*.)

Economic issues have been continuing sources of tension in U.S.-China relations. China's past ineffectiveness in protecting U.S. intellectual property, its lack of transparent trade regulations, and its high tariff rates all have contributed to these debates. At the October 1997 summit, Presidents Clinton and Jiang agreed to intensify talks on China's application to join the World Trade Organization (WTO), in which China has sought membership since 1986, when Beijing began negotiating to join the General Agreement on Tariffs and Trade (GATT), the WTO's predecessor. Failure to reach agreement on a WTO accord during Premier Zhu Rongji's visit in April 1999 led many to conclude that the opportunity to resolve trade issues and gain China's admittance to the WTO had passed for the foreseeable future. But on September 17, 2001, WTO members voted to accept the PRC for membership. The PRC formally joined the WTO on December 11, 2001.

Most-Favored-Nation (MFN)/"Normal Trade Relations" (NTR) Status. In a move that eliminated the annual process for renewing the PRC's trade status, the 106th Congress enacted H.R. 4444 (P.L. 106-286), a law that granting the PRC permanent NTR upon its accession to the World Trade Organization. The PRC formally joined the WTO on December 11, 2001, and on January 1, 2002, the PRC formally received permanent normal trade relations status from the United States. The action eliminates the controversial annual U.S. debate over renewal of the PRC's normal trade relations (NTR), under which the President each year by June 3 had to recommend that Congress renew his authority to waive restrictions on the PRC's eligibility to receive NTR. (The U.S. designation for MFN was changed to "Normal Trade Relations" – or NTR – under P.L. 105-206, enacted in 1998.)

China's Fragile Banking System. The Asian financial crisis of 1997 led some economists to become increasingly concerned about the ultimate prospects for China's own fragile banking and financial systems. According to leading authorities on China's economy, official Chinese statistics show that a staggering 27% of the total lending of China's four principal banks is judged to be in non-performing loans, primarily to insolvent state enterprises, while other financial studies put the amount at closer to 44%. By comparison, in South Korea, which averted early financial collapse during the Asian financial crisis only with the help of a record \$60 billion international bailout, the percentage of non-performing loans compared to total bank loans was just over 6%. While China's economic situation has a number of mitigating factors — primarily a high savings rate (42%), lots of foreign direct investment, and insulations against currency speculators — a financial crisis similar to South Korea's in an economy the size of China's could have a significant global impact.

Sovereignty Issues: Taiwan, Tibet, Hong Kong

Taiwan. Taiwan remains the most sensitive and complex issue in Sino-U.S. relations. Beijing has not foresworn the use of force should Taiwan declare independence from China, and Chinese officials repeatedly block Taiwan's efforts to gain greater international recognition. At the same time, officials in Taiwan are maneuvering for more international stature and for independent access to multilateral institutions. Since 1978, when the United States had to break relations with Taiwan in order to normalize relations with Beijing, U.S. policy toward Taiwan has been shaped by the three U.S.-China communiques and the Taiwan Relations Act (P.L. 96-8). (See CRS Issue Brief IB98034, *Taiwan: Recent Developments and U.S. Policy Choices*.)

The “Three Noes”. During his summit visit to China in June 1998, President Clinton made a controversial statement about Taiwan that some interpreted as being a change in U.S. policy. In response, both the House and Senate in the 105th Congress passed resolutions (H.Con.Res. 301 and S.Con.Res. 107) reaffirming U.S. policy toward Taiwan. President Clinton’s statement was made in response to a question during a roundtable discussion in Shanghai on June 30, 1998. According to a White House transcript, the President said:

I had a chance to reiterate our Taiwan policy, which is that we don’t support independence for Taiwan, or two China’s, or one Taiwan-one China. And we don’t believe that Taiwan should be a member in any organization for which statehood is a requirement. So I think we have a consistent policy.

Taiwan’s Presidential Election, 2000. On March 18, 2000, Taiwan voters went to the polls for only the second time to elect a national president. In a stunning upset for the ruling Nationalist Party, voters elected Chen Shui-bian, a member of the Democratic Progressive Party (DPP), a pro-independence party that Beijing finds highly objectionable. Chen has tried to maintain a balance between the more radical, pro-independence advocates in his party while trying to avoid antagonizing Beijing on the cross-strait issue.

Taiwan’s December 2001 Legislative Elections. In elections on December 1, 2001, Taiwan’s Nationalist Party lost its legislative majority for the first time in 50 years, dropping from 123 seats to 68. This leaves the Democratic Progressive Party with the largest bloc in the legislature, at 87 seats. As a result, current DPP President Chen Shui-bian may gain more legislative support for his policy agenda, which until now has largely been blocked by the Nationalist-controlled body. Since the DPP is associated with views promoting independence from China, the election has implications for U.S.-Taiwan-China relations. (See CRS Report RS21093, *Taiwan’s December 2001 Election Results*.)

Taiwan-China Dialogue. Official talks between China and Taiwan, always problematic, last occurred in October 1998, when Koo Chen-fu, Chairman of Taiwan’s Straits Exchange Foundation (SEF) and Wang Daohan, president of China’s Association for Relations Across the Taiwan Straits (ARATS), held meetings in Shanghai. At that meeting, the two agreed to resume regular discussions and arrange a reciprocal visit to Taiwan by Mr. Wang. Progress toward further talks halted, however, when Taiwan’s then-president, Lee Teng-hui, gave a radio interview in July 1999, stating that future cross-strait talks, scheduled to resume in October 1999, should be conducted on a “special state-to-state basis.” Beijing protested this statement vehemently as a radical departure from Taiwan’s former embrace of a “one China” policy. The pro-independence DPP party, now in power, has backed away from its earlier embrace of independence for Taiwan. For instance, early in January 2001, President Chen announced that he would establish direct links between China and Taiwan’s outlying islands of Matsu and Quemoy – a small but significant step in the direction of further contacts. Still, prospects for renewed Taiwan-PRC talks soon appear slight.

Tibet. As a matter of policy, the U.S. government recognizes Tibet as part of China and has always done so, although some dispute the historical consistency of this U.S. position. Since normalization of relations with the PRC in 1979, both Republican and Democratic U.S. Administrations have sought to minimize areas of potential tension with Beijing on sensitive topics, such as on the question of Tibet’s political status.

But the Dalai Lama, Tibet's exiled spiritual leader, has long had strong supporters in the U.S. Congress, and these Members have continued to pressure the White House to protect Tibetan culture and give Tibet greater status in U.S. law despite Beijing's objections. Because of this congressional pressure, Presidents George Bush (Sr.) Bill Clinton, and George W. Bush each met with the Dalai Lama in the United States — meetings that were deliberately kept low-key and informal, but which nevertheless offended Chinese leaders. Congress in recent years attempted to insert language in Foreign Relations Authorizations bills to create a Special Envoy for Tibet, with ambassadorial rank, to promote good relations between the Dalai Lama and Beijing and to handle negotiations with China on the Dalai Lama's behalf. U.S. Administration officials opposed the sovereignty implications of a "Special Envoy" provision, and a compromise of sorts was reached on October 31, 1997, when a State Department press statement reported that Secretary of State Albright had designated a Special Coordinator for Tibetan issues within the State Department. The current Special Coordinator is Paula Dobriansky, Under Secretary of State for Global Affairs.

Hong Kong. On July 1, 1997, Hong Kong reverted from British back to Chinese sovereignty in a remarkably smooth transition. The former British colony is now known as the Hong Kong Special Administrative Region (SAR) of the People's Republic of China. On May 24, 1998, elections for the first official LegCo of the SAR were held under agreements adopted on September 28, 1997, by the provisional legislature. Elections for the second LegCo were held on September 10, 2000. When they were put forward, the new election laws were criticized in the United States for being excessively complicated and for dismantling key portions of the electoral reforms put into place in 1995 by Hong Kong's last British Governor, Chris Patten. Still, these election laws, used in both the May 1998 and September 2000 elections, adhered to the major electoral requirements set forward in Sino-British agreements on Hong Kong. For the 2000 elections, this meant that 24 LegCo members were directly elected by popular vote; 30 were elected by select peer groups, or "functional constituencies;" and 6 were chosen by a special Election Committee.

U.S. policy toward Hong Kong is spelled out in the Hong Kong Policy Act (P.L. 102-383), enacted in 1992. Among other things, the Act declares Congress' support for the holding of free and fair elections for Hong Kong's legislature. (See CRS Report RL30895, *Hong Kong's Ongoing Transition: Implications of Chinese Sovereignty in 2001.*)

U.S. Policy Approaches

Since 1989, the U.S. policy community has generally sorted itself out into three basic camps over Sino-U.S. policy. First is a moderate, "engaged," and less confrontational posture toward the PRC. Some proponents of this approach perceive fundamental weaknesses in the PRC, and they urge moderation fearing that to do otherwise could promote divisions in and a possible breakup of the PRC, with potentially disastrous policy consequences for U.S. interests. Others are impressed with China's growing economic and national strength and the opportunities this provides for the United States and for American business. They promote closer U.S. engagement with the PRC as the most appropriate way to guide the newly emerging power into channels of international activity compatible with American interests.

Underlying this approach, for some, is a belief that trends in China are moving inexorably in the “right” direction. That is, the PRC is becoming increasingly interdependent economically with its neighbors and the developed countries of the West and therefore will be increasingly unlikely to take disruptive action that would upset these advantageous international economic relationships. They contrast this behavior favorably with that of disruptive states such as Iraq or Afghanistan – those who are not part of the international system and who may support the kind of global terrorism that struck the United States on September 11, 2001. Some also believe that greater wealth in the PRC will push Chinese society in directions that will develop a materially better-off, more educated, and cosmopolitan populace that will, over time, press its government for greater political pluralism and democracy. Therefore, according to this view, U.S. policy should seek to work more closely with the PRC in order to encourage these positive long-term trends.

A second approach is more cautious, encouraging U.S. leaders to be less accommodating. Rather than trying to persuade Beijing of the advantages of international cooperation, these critics say, the United States should keep military forces as a counterweight to rising PRC power in Asia; remain firm in dealing with economic, arms proliferation, and other disputes with China; and work closely with traditional U.S. allies and friends in the region to deal with any suspected assertiveness or disruption from Beijing.

Proponents of this policy stress that Beijing officials still view the world as a state-centered, competitive environment where power is respected and interdependence counts for little. PRC leaders are seen as determined to use whatever means is at their disposal to increase their nation’s wealth and power. They suggest that PRC leaders may be biding their time and conforming to many international norms as a strategy, until China builds its economic strength and can take more unilateral actions. Once it succeeds with economic modernization, the argument goes, Beijing will be less likely to curb its narrow nationalistic or other ambitions because of international constraints or sensitivities.

A third approach is based on the premise that the political system in the PRC needs to change before the United States has any real hope of reaching a constructive relationship with the PRC. According to these proponents, Beijing’s communist leaders are inherently incapable of long-term positive ties with the United States. Rather, Beijing seeks to erode U.S. power and arm U.S. enemies in the region. Despite the statements of support for the U.S. anti-terrorism campaign, according to this view, the PRC’s repeated violations of its non-proliferation commitments have actually contributed to strengthening and arming nations that harbor global terrorists. U.S. policy should focus on mechanisms to change the PRC from within while maintaining a vigilant posture to deal with disruptive PRC foreign policy actions in Asian and world affairs.

At the moment, it is unclear what the long-term effect will be on Sino-U.S. relations as a consequence of the September 11 terrorist attacks. Combating global terrorism could serve as a new framework on which to build Sino-U.S. cooperation, filling the void left when the Soviet Union collapsed and strategic cooperation ceased to be a viable basis for the relationship. The devastating possibilities of global terrorism could alter the recent trend in which some policymakers in each country have viewed the other as a principal threat. The benefits of Sino-U.S. cooperation on anti-terrorism initiatives could help mute more hardline, anti-American elements in the PRC, and could change the focus of Congress toward broader anti-terrorism measures and away from measures targeting the PRC. Cooperation on anti-

terrorism could also give the United States greater leverage with issues involving the PRC's reported transfer of nuclear, missile, and/or chemical weapons technology to countries thought to support terrorism, like Iraq, North Korea, Libya, and Syria.

Cooperating on an anti-terrorism campaign, however, brings other complications to the relationship, particularly if the PRC links its cooperation with other policy objectives of its own. One problem for U.S. policymakers, for example, is that Beijing commonly makes no distinction between terrorists who perform violent acts and "separatists" – the PRC's term for advocates of Uighur, Tibetan, and Taiwan independence from or greater autonomy within China, even when those advocates are entirely peaceful. PRC efforts to seek tacit U.S. support for these policies in exchange for anti-terrorism cooperation would exacerbate internal U.S. policy differences on the PRC and complicate U.S. policies toward Taiwan and the Tibetan community-in-exile. Moreover, U.S. resolve to build an international coalition to fight terrorism brings its own complications. The PRC may balk at support for a U.S.-led military action if Japan lends active support, as promised by Prime Minister Junichiro Koizumi on September 19, 2001. U.S. policymakers also face pressure by the PRC and other regional actors who believe that the U.S. decision to build a theater missile defense system (TMD) could be destabilizing to an already uneasy region.

LEGISLATION

P.L. 107-10 (H.R. 428)

Legislation authorizing the President to initiate a plan to endorse and obtain observer status for Taiwan at the annual week-long summit of the World Health Assembly in May 2001 in Geneva, Switzerland. Introduced on February 6, 2001, and referred to the House Committee on International Relations, which marked it up on March 28, 2001. The House passed the bill on April 24, 2001, by a vote of 407-0. The Senate passed the bill by unanimous consent, with an amendment, on May 9, 2001. The House agreed to the Senate amendment on May 15, 2001, by a vote of 415-0, and the measure was cleared for the President's signature. It became P.L. 107-10 on May 28, 2001.

H.R. 1779/S. 852 (Lantos/Feinstein)

The Tibetan Policy Act of 2001. Introduced in the Senate and House on May 9, 2001, the bills reaffirm the view that Tibet is an illegally occupied country, establish semi-annual reporting requirements on the status of Chinese negotiations with the Dalai Lama, and establishes certain U.S. policies with respect to international lending to projects in Tibet. The bill was referred to the House Committee on International Relations.

H.R. 1646/S. 1401/S. 1803 (Hyde/Biden/Biden)

The House version of the Foreign Relations Authorization Act of FY2002/2003, H.R. 1646, contains a number of China provisions. The more substantive deal with U.S. policy and practices toward Tibet and Taiwan. New Tibet-related provisions also include: opening a U.S. consular office in Lhasa; Tibetan language training for U.S. foreign service officers; expansion of the responsibilities of the Congressional-Executive Commission on the People's Republic of China (CECPRC) to include monitoring and reporting on the status of dialogue between the Chinese government and the Dalai Lama; support in international

organizations for economic development on the Tibetan Plateau; \$500,000 in each of fiscal years 2002 and 2003 for exchange programs between the United States and the people of Tibet; and \$2 million in each of fiscal years 2002 and 2003 for humanitarian assistance to Tibetan refugees. These provisions are similar to provisions in The Tibetan Policy Act of 2001 (H.R. 1779 and S. 852, above.) The bill also contains provisions on Taiwan, including a requirement that the State Department provide quarterly briefings on the status of any U.S.-Taiwan discussions on weapons sales (S. 1401). H.R. 1646 provides that for the purposes of U.S. arms sales, Taiwan should be treated as the equivalent of a major non-NATO ally. It also requires the President to consult with Congress on various sales of defense articles and equipment to Taiwan.

While the original Senate version, S. 1401, contained substantially similar provisions to the House-passed bill, on May 1, 2002, the Senate Foreign Relations Committee was discharged from further consideration of the measure. The same day, the full Senate struck the language of H.R. 1646 and, by unanimous consent, passed as an amendment the text of S. 1803, the Security Assistance Act of 2001, which had been introduced by Senator Biden on December 11, 2001, and which the Senate had passed by unanimous consent on December 20, 2001 (S.Rept. 107-122.)

CHRONOLOGY

- 05/08/02** — Chinese police entered the compound of the Japanese consulate in Shenyang and forcibly removed North Korean refugees, bringing strong protests from the Japanese government that the action violated the Vienna Convention.
- 04/30/02** — Chinese Vice-Premier Hu Jintao began his first official visit to the United States.
- 03/08/02** — Falun Gong practitioners cut into the cable TV network in the northeast city of Changchun, enabling them to broadcast pro-Falun Gong programs.
- 03/04/02** — The U.S. State Department issued its annual report on human rights violations, saying that China's human rights record "remained poor."
- 02/21/02** — On February 21-22, 2002, President Bush visited China, Japan, and South Korea. The visit resulted in no new agreements, were any anticipated.
- 01/14/02** — The Wall St. Journal reported that the United States was investigating the Bank of China's U.S. activities.
- 01/01/02** — China received permanent normal trade relations from the United States.
- 12/11/01** — The PRC formally joined the World Trade Organization, thus gaining permanent normal trade relations (PNTR) status from the United States, as enacted in P.L. 106-246.

- 09/11/01** — Terrorists hijacked four U.S. commercial airliners and crashed them into the World Trade Center, the Pentagon, and in rural Pennsylvania. Senior PRC officials expressed their sympathy, condolences, and qualified support.
- 08/23/01** — U.S.-China missile talks began in Beijing on allegations that the PRC had violated its non-proliferation pledges.
- 07/13/01** — Beijing was awarded the right to host the 2008 Olympic Games.
- 06/04/01** — Defense Secretary Rumsfeld told journalists that the United States was resuming military contacts with the PRC, suspended since the EP-3 incident.
- 04/24/01** — President Bush authorized the sale of defense articles and services to Taiwan, including diesel-powered submarines, anti-submarine aircraft, and destroyers.
- 04/18/01** — The U.N. Commission on Human Rights voted 23-17 for a PRC “no action” motion on a U.S. resolution condemning China’s human rights practices.
- 04/12/01** — China released 24 American EP-3 crew members held since April 1, 2001.
- 04/01/01** — A PRC F8 fighter collided with a U.S. Navy EP-3 reconnaissance plane over the South China Sea. The EP-3 made an emergency landing on Hainan island.
- 02/28/01** — China ratified, with qualifications, the International Covenant on Economic, Social, and Cultural Rights, a U.N. agreement it signed on October 27, 1997.
- 01/29/01** — The U.S. Trade and Development Agency (TDA) announced it was reopening its grant assistance program in China, suspended since 1989, based on a presidential “national interest” waiver on January 13, 2001.
- 03/08/00** — The Administration made public an unclassified version of an annual report mandated by P.L. 105-107, on Chinese espionage in the United States.
- 12/16/99** — U.S. and PRC negotiators reached agreement on compensation for damages in the accidental NATO bombing of the PRC Embassy in Belgrade.
- 07/22/99** — China outlawed the Falun Gong spiritual sect in China.
- 05/08/99** — NATO forces mistakenly bombed the Chinese Embassy in Belgrade.

FOR ADDITIONAL READING

CRS Issue Brief IB91121. *China-U.S. Trade Issues.*

CRS Issue Brief IB98034. *Taiwan: Recent Developments and U.S. Policy Choices.*

CRS Report RS21093. *Taiwan's December 2001 Election Results.*

CRS Report RL31183. *China's Maritime Territorial Claims: Implications for U.S. Interests.*

CRS Report RL30990. *Political Succession and Leadership Issues in China: Implications for U.S. Policy.*

CRS Terrorism Briefing Book, [<http://www.congress.gov/brbk/html/ebter1.shtml>].