

Issue Brief for Congress

Received through the CRS Web

China-U.S. Relations

Updated November 21, 2002

Kerry Dumbaugh
Foreign Affairs, Defense, and Trade Division

CONTENTS

SUMMARY

MOST RECENT DEVELOPMENTS

BACKGROUND AND ANALYSIS

Background

PRC Response To U.S. Anti-Terrorism Initiatives

Other Issues in U.S.-China Relations

North Korean Refugees

U.S.-China “Summitry”

Human Rights Issues

Crackdowns Against Religious Beliefs

PRC Prisons/Prison Labor

Family Planning/Coercive Abortion

Labor Unrest

U.S. Commissions on China

Congressional-Executive Commission on the PRC

U.S.-China Security Review Commission

Issues in U.S.-China Security Relations

Pentagon 2002 Report on Chinese Military Power

2002 U.S. National Intelligence Estimate

“China’s National Defense 2000” White Paper

Weapons Proliferation

Allegations of Espionage

Allegation of Cyber-Attack Plans

Economic Issues

“Normal Trade Relations” (NTR)/Most-Favored-Nation (MFN) Status

Sovereignty Issues: Taiwan, Tibet, Hong Kong

Taiwan

Tibet

U.S. Policy Approaches

LEGISLATION

CHRONOLOGY

FOR ADDITIONAL READING

CRS Issue Briefs and Reports

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 a 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 remains 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. 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.

The 107th Congress has been legislatively active on issues involving China, enacting P.L. 107-10, authorizing the President to seek observer status for Taiwan in the World Health Assembly, and enacting P.L. 107-228, the Foreign Relations Authorization Act, containing provisions on China, Taiwan, and Tibet.



MOST RECENT DEVELOPMENTS

November 8 – 14, 2002, the Chinese Communist Party held its 16th Party Congress, naming Hu Jintao as the new Party Secretary (replacing Jiang Zemin), and choosing a new 24-member Politburo and 9-member Standing Committee, the top policy and decision-making bodies in China. Of the new Standing Committee members, only one, Hu Jintao, served on the previous Standing Committee.

On September 23, 2002, a PRC Navy supply ship and one of the PRC's most modern warships, a guided missile destroyer (the Qingdao) completed the first world tour made by the Chinese Navy. The ships made a four-month deployment that included passage through the Panama Canal and port calls at 10 countries.

On August 26, 2002, U.S. Deputy Secretary of State Richard Armitage announced that the United States was placing the East Turkestan Islamic Movement (ETIM) on its list of terrorist groups.

On August 25, 2002, Beijing published its new missile-related export control regulations. The full text can be found at: [<http://www.china-embassy.org/eng/33977.html>].

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 and setbacks. Long-standing bilateral difficulties have included U.S. problems with the PRC's worsening human rights record, growing tensions over the PRC's southern military build-up opposite Taiwan and Taiwan's political status, and continued controversy over allegations of Chinese proliferation of weapons to unstable regimes. Punctuating these have been periodic crises, including the PRC's provocative live-fire missile exercises in the Taiwan Strait in 1995-96, allegations of Chinese espionage and leaking of U.S. military secrets in 1997-1998, the accidental NATO bombing of the Chinese Embassy in Belgrade in May 1999, and the collision of a PRC jet fighter with a U.S. navy reconnaissance plane over the South China Sea in 2001. All these problems have occurred against a steady drumbeat of growing mutual suspicion over the perceived security threat that each poses to the other.

The senior Bush Administration spent its four years from 1989 - 1992 trying to protect U.S.-China relations and field a policy of "engagement" with China against mounting congressional opposition in the wake of the 1989 Tiananmen Square crackdown. The Clinton Administration initially adopted a markedly different position, stating that the United States should use its economic leverage to promote democracy and change in the PRC. But like his predecessor, President Clinton also came to favor a policy of "engagement" with China – a policy that Clinton officials came to call a "strategic partnership." The overall "engagement" policies that both the Bush and Clinton Administrations pursued continued

to be criticized by a segment of American observers, including Members of Congress, who increasingly have come to see the PRC as America's principal long-term security threat.

Upon assuming office in January 2001, the George W. Bush Administration promised a tougher approach than that of either of his predecessors, 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 Administration faced an early test of its policy on April 1, 2001, when a Chinese jet-fighter collided with a U.S. Navy EP-3 reconnaissance plane over the South China Sea, forcing the U.S. plane to make an emergency landing at a military base on China's Hainan island. In a tense stand-off, the PRC held the 24-member U.S. crew for eleven days and required the U.S. military to dismantle the EP-3 and ship it back to the United States rather than repair it and fly it back.

After this rocky start, the September 11, 2001 terrorist attacks against the United States appeared to affect the policy calculus for both Washington and Beijing. The Bush Administration appeared to see the potential for Sino-U.S. cooperation against global terrorism as a priority, and U.S. officials down-played other key differences and problems in the relationship evident during much of 2001. U.S. officials 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. But Bush Administration officials also suggested that only limited cooperation would be possible, and in the intervening months since September 11, the President and others in his Administration have continued with a policy approach that appears tougher toward the PRC and less solicitous of Beijing's views.

In response to these tougher Bush Administration initiatives, Beijing has taken what many view as a substantially low profile. Although PRC leaders are thought to be wary of the precedents being set by a newly assertive U.S. policy toward Taiwan and an expanded U.S. presence in Central and South Asia, their statements on these and other U.S. initiatives have been quite muted. In fact, some suggest that PRC leaders appear anxious to assure smooth Sino-U.S. relations in the current environment, going out of their way to be non-provocative despite greater U.S. assertiveness. It may be that this low-profile PRC approach is a result of an ongoing leadership transition with which Beijing has been preoccupied. From November 8–14, 2002, the Communist Party held its 16th Party Congress, during which it selected Hu Jintao as the new Party Secretary, named a new 24-member Politburo and a new nine-member Standing Committee, and made substantive changes to the Party Constitution. Some observers have suggested that Beijing's views toward U.S. policies may undergo some change once the leadership transition is completed later in 2003.

PRC Response To U.S. Anti-Terrorism Initiatives

Many have speculated that the U.S. anti-terrorism effort could provide a new framework for U.S.-China relations. Bush Administration officials, however, do not appear to be seeking or expecting significant PRC support. 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 in U.S.-led anti-terrorism efforts. In addition, Beijing also is an active member in what is now the Shanghai Cooperative Organization (SCO), a six-member consortium involving 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.

In the past, the United States had warned Chinese officials that the anti-terror campaign should not be used to suppress legitimate political dissent among China's own Muslim populations. In a visit to Beijing in December 2001, for instance, the State Department's top counter-terrorism expert, Francis X. Taylor, said that Washington did not believe Muslim separatists in China who supported an independent East Turkestan were part of the global anti-terror network. But on August 26, 2002, U.S. Deputy Secretary of State Richard Armitage announced that the United States had added the East Turkestan Islamic Movement (ETIM) to its list of terrorist groups. The unexpected U.S. move reportedly was questioned by some U.S. European allies. The *Washington Post*, for instance, quoted one unnamed diplomat as suspicious that the move appeared to be a trade-off for PRC support in the U.N. Security Council for the U.S. campaign against Iraq. On August 28, 2002, officials at the U.S. Embassy in Beijing further announced they had evidence that the ETIM was plotting a terrorist bombing of the U.S. Embassy in Bishkek, Kyrgyzstan. On September 11, 2002, the United Nations announced that, at the request of both the United States and China, it was placing the ETIM on a U.N. list of terrorist organizations, requiring that all U.N. members freeze the group's financial assets and ban its members from entry.

Other Issues in U.S.-China Relations

North Korean Refugees

In March 2002, international attention focused on North Korean refugees who had been living clandestinely in China. In several well-publicized cases, these refugees had begun rushing into the diplomatic compounds of various foreign governments in China asking for asylum. Chinese security forces were accused in some cases of forcing their way into foreign diplomatic compounds to remove them. On May 8, 2002, Chinese police entered the compound of the Japanese consulate in Shenyang to remove two North Koreans seeking asylum. On June 13, 2002, South Korean diplomats scuffled with Chinese police as they hauled away a North Korean refugee seeking asylum. After a stand-off of several weeks, during which PRC officials demanded that the refugees be handed over to Chinese security forces, Beijing reversed its decision on June 23, 2002, and allowed 26 North Koreans living in various foreign diplomatic compounds to leave the country for South Korea.

In the past, the PRC largely ignored the large number of North Koreans illegally living in China, cracking down only periodically. But the new activism of the North Korean refugee population involves complexities that concern China, a number of governments, the United Nations, and the international community. The United States and the governments whose diplomatic offices have been involved (Canada, Japan, and South Korea) have protested the Chinese forced intrusions into foreign diplomatic compounds as blatant

violations of the Vienna Convention. Chinese officials counter that the North Koreans are not covered under the Vienna Convention because they are fleeing economic hardships and not political repression, that Beijing has long-standing refugee repatriation agreements with North Korea which it must honor, and that Chinese security officials have had permission to enter the foreign government compounds.

U.S.-China “Summitry”

Despite ongoing tensions, the United States and China have had more senior-level visits and contacts in the Bush Administration than in previous U.S. Administrations. In October 2001, President Bush had his first visit with PRC President Jiang Zemin as part of the Asia-Pacific Economic Cooperation (APEC) Forum ministerial meeting, held in Shanghai. In conjunction with a visit to Japan and South Korea in 2002, President Bush also visited China, stopping in Beijing for February 21-22, 2002. As expected, the 2002 visit resulted in no 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. (On August 25, 2002, however, Beijing published its “Regulations on Export Control of Missiles, Missile-related Items, and Technologies – and the Control List.” The full text can be found at [<http://www.china-embassy.org/eng/33977.html>]. In April-May 2002, PRC Vice-President Hu Jintao, who just succeeded President Jiang Zemin as Party Secretary at the 16th Party Congress, made his first visit to the United States, meeting with President Bush and with a range of other senior U.S. officials. On October 25, 2002, President Jiang Zemin made a state visit to the United States, meeting with President Bush at the President’s ranch in Crawford, Texas. Initially largely symbolic, the meeting became a vehicle for bilateral consultations on North Korea’s nuclear weapons program and on China’s support for a U.N. resolution condemning Iraq. (See CRS Report RS21351, *Sino-U.S. Summit, October 2002.*)

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. In recent years, the PRC has 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, and close the sect’s facilities. 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 definition of a cult or a sect. In extraordinary displays of public dissent, Falun Gong practitioners periodically have cut into regional cable television networks and broadcast pro-Falun Gong programs. On September 25, 2002, the group hacked into China’s premier national TV satellite system, broadcasting segments of pro-Falun Gong materials across the country.

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. On February 20, 2002, 84 Members of Congress signed a letter to President Bush urging that he seek Kadeer’s release during his official visit in China.

Since September 11, 2001, 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 Turkestan [Xinjiang] forces will become a part of the international effort against terrorism.” Although 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, the U.S. government appeared to concede to Beijing on August 26, 2002, when it announced that it was placing one small group, the East Turkestan Islamic Movement, on the U.S. list of terrorist groups.

Membership data on religious organizations in the PRC suggests that the number of religious adherents in China continues to grow, despite newly rigorous restrictions on religious practice put into place in 1994. 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. In addition, in recent years, the PRC has established a central government – the “Office for Preventing and Handling Cults.” Observers believe this measure is targeted primarily at the Falun Gong but many fear it 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.

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.

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 prohibited in provisions of several U.S. laws, as is indirect U.S. support for coercive family planning. 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. In the FY2002 Foreign Operations Appropriations bill (P.L. 107-115), Congress provided for “not more than” \$34 million for UNFPA. The Bush Administration froze those funds in January 2002, asserting coercion still existed in Chinese counties where UNFPA had programs. Despite a follow-up finding by a State Department assessment team that UNFPA does not support coercion in its family planning programs in China, on July 22, 2002, U.S. Secretary of State Colin Powell announced that the \$34 would remain withheld. (See IB96026, *Population Assistance and U.s. Family Programs: Issues for Congress.*)

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. It will file its first report on October 2, 2002.

U.S.-China Security Review Commission. Generally 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. On July 15, 2002, with one dissenting opinion, the Commission submitted its first mandated annual report to Congress in both classified and unclassified format. The 209-page unclassified report, entitled "The National Security Implications of the Economic Relationship Between the United States and China," assesses various aspects of the U.S.-China relationship and offers more than 40 recommendations for Congress and U.S. policymakers to remedy what it sees as the deficiencies and weaknesses in the U.S. policy approach toward China. The full text of the report can be found at the Commission's website at [<http://www.uscc.gov/anrp.htm>].

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. Both countries cautiously agreed to resume military contacts after a Sino-U.S. summit in October 1997, and announced they had agreed on a Military Maritime Consultative Agreement (MMCA) meant to reduce the chance of accidents or misunderstandings at sea. But efforts to re-energize military ties have met with repeated setbacks. In March, 2001, a U.S. guided missile cruiser made a goodwill port call to Shanghai. But on April 1, 2001, a PRC F8 fighter collided with a U.S. Navy EP-3 reconnaissance plane over the South China Sea, resulting in the death of the Chinese pilot and the forced emergency landing on Hainan

island by the American plane. In May, 2001, a statement attributed to Defense Secretary Donald H. Rumsfeld announced that the United States was suspending military contacts with the Chinese military until further notice. Hours later, however, a Pentagon spokesman said the statement was a mistake, and that the Pentagon would review and approve future U.S.-China military contacts on a case-by-case basis. In June 2002, Peter Rodman, U.S. Assistant Secretary of Defense for International Security Affairs, held talks with senior Chinese diplomats and military officials in Beijing, including: Xiong Guangkai, China's deputy chief of staff, Chi Haotian, China's Defense Minister, and Li Zhaoxing, Vice Foreign Minister.

Pentagon 2002 Report on Chinese Military Power. On July 12, 2002, the Pentagon released its "Annual Report on the Military Power of the People's Republic of China," mandated by Congress in Section 1202 of the National Defense Authorization Act for FY2000, P.L. 106-65. Among the conclusions in the 52-page report were: that the Pentagon sees a new emphasis on military modernization decisions that appear aimed at Taiwan; that Chinese defense spending is significantly higher than the \$20 billion that the Chinese government lists as its official defense budget; and that annual military spending by Beijing could increase significantly by 2020. The full text of the report can be found at the website [<http://www.defenselink.mil/news/Jul2002/d20020712china.pdf>].

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. Even before September 11, a key security issue for the United States 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 suggested that China was reassessing its weapons sales policies. As reasons, they cite that 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, charge that confidence in China's non-proliferation policies is misplaced. They point out that for years, reputable sources have reported China to be selling ballistic missiles and technology for weapons of mass destruction in the international market, primarily in 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.

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.

“Normal Trade Relations” (NTR)/Most-Favored-Nation (MFN) 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.)

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*.)

Bush Administration's Policy. Many observers see the current Bush Administration as having abandoned the long-standing U.S. policy of “strategic ambiguity” on Taiwan in favor of policy clarity that places more emphasis on Taiwan's interests and less on PRC concerns. On April 25, 2001, for instance, in an ABC television interview, President Bush responded to a question about the possible U.S. response if Taiwan were attacked by saying that the United States would do “whatever it took to help Taiwan defend herself.” Since the United States has no defense alliance with Taiwan and has never pledged use of American military forces in the island's defense, the President's answer caused considerable controversy over whether the United States had changed its policy toward Taiwan's security or was moving away from its “one-China” statements. Although State Department and White House officials, including President Bush, later insisted that there had been no change in U.S. policy toward Taiwan, saying that the President's April 25 statement was consistent with U.S. commitments in the Taiwan Relations Act, subsequent statements and actions by Bush Administration officials have been judged to be more solicitous and supportive of Taiwan than those of previous U.S. Administrations.

Taiwan President's 2002 Policy Statements. Like his predecessor before him, Taiwan's current President, Chen Shui-bian, has made some controversial statements suggesting to Beijing that Taiwan is edging closer to aspirations of independence. There are few if any subjects on which PRC leaders are more united and vocal than their long-held insistence that Taiwan is part of China and not a separate country. President Chen's statements, then, have raised the temperature in U.S.-Taiwan-China relations and could have longer-term global policy implications. On July 21, 2002, Chen said that if Beijing continued to reject Taiwan's overtures for discussions, that Taiwan "would not rule out going our own way," a comment taken to refer to independence. On August 3, 2002, in a televised speech in Tokyo to the World Association of Taiwanese Associations, Chen expanded by describing the situation across the Taiwan Strait as "one side, one country," furthermore suggesting that he supported a national referendum in Taiwan on Taiwan's future – a possibility that Beijing has opposed vigorously. Critics in Beijing say that this violates Chen's inaugural day pledge (May 20, 2001) not to hold a referendum if China does not intend military force against Taiwan.

U.S. Visits by Taiwan Officials. In the absence of official U.S. ties with Taiwan, PRC officials argue that no high-level officials of the Taiwan government should be received in the United States. Mindful of PRC sensitivities on this issue, U.S. officials for years remained unwilling to issue visas to senior Taiwan officials for U.S. visits. This changed dramatically on May 22, 1995, when President Clinton, bowing to substantial congressional pressure, decided to allow Taiwan President Lee Teng-hui to make a visit to the United States, but in his capacity as a private citizen, not as an official representing Taiwan. In contrast to previous Administrations, the George W. Bush Administration has been more accommodating in granting limited visits to senior Taiwan officials. In 2001, Taiwan's new President, Chen Shui-bian, was allowed a transit stop in New York City and Houston on his way to Latin America. Taiwan's Vice-President, Annette Lu, was accorded a similar transit stop in New York in early January 2002. More recently, from March 9 -12, 2002, U.S. officials permitted Taiwan's Defense Minister, Tang Yao-ming, to attend a defense conference in Florida. While here, Minister Tang met with U.S. Deputy Secretary of Defense Paul Wolfowitz and U.S. Assistant Secretary of State James Kelly.

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.

Political Developments in Taiwan. Taiwan's political scene is seeing dramatic changes that could have far-reaching implications for U.S. policy. In elections on December 1, 2001, Taiwan's Nationalist Party (the KMT) lost its legislative majority for the first time in 50 years, dropping from 123 seats to 68. This leaves the largest bloc in the legislature, 87 seats, in the hands of the Democratic Progressive Party (DPP), a pro-independence party that

Beijing finds highly objectionable. The December 2001 legislative elections follow Taiwan's landmark presidential election on March 18, 2000, in which 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 DPP-member Chen Shui-bian, giving Taiwan its first DPP executive. Nevertheless, the December legislative elections have not translated into more legislative support for President Chen's policy agenda – until 2001 largely blocked by the Nationalist-controlled body. Instead, non-DPP minority parties have been able to unite in a tenuous coalition that continues to wield substantial influence over Taiwan's political agenda. (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. Cross-strait contacts are also occurring increasingly between mainland and Taiwan business representatives, and in June 2002, three delegations of Taiwan legislators visited Beijing for talks. Still, prospects for renewal of cross-strait talks soon appear slight.

Tibet. 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 who have continued to pressure the White House to protect Tibetan culture and give Tibet greater status in U.S. law. 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 but which nevertheless offended Chinese leaders. Prompted by congressional efforts in recent years, the Clinton White House on October 31, 1997, announced it would designate a Special Coordinator for Tibetan issues within the State Department, a primary function of which would be to encourage dialogue between Beijing and the Dalai Lama. The current Special Coordinator is Paula Dobriansky, Under Secretary of State for Global Affairs.

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, a policy largely followed by the Bush senior and Clinton Administrations. 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, favored by the current Bush Administration, is less accommodating of Beijing's concerns. According to this approach, rather than trying to persuade Beijing of the advantages of international cooperation, 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 and more confrontational approach is based on the premise that the Chinese political system needs to change dramatically before the United States has any real hope of reaching a constructive relationship with the PRC. According to this approach, 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 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.

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.

P.L. 107-228 (H.R. 1646/S. 1401/S. 1803)

The Foreign Relations Authorization Act of FY2002/2003. P.L. 107-228 contains a number of China provisions. The more substantive deal with U.S. policy and practices toward Tibet and Taiwan. The "Tibetan Policy Act of 2002" begins at Section 611, Subtitle B, with provisions similar to, though not as extensive as, the Tibetan Policy Act of 2001 (H.R. 1779 and S. 852, above). The law's provisions 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; and \$500,000 in each of fiscal years 2002 and 2003 for exchange programs between the United States and the people of Tibet. These provisions are similar to provisions in The Tibetan Policy Act of 2001 (H.R. 1779 and S. 852, above.) The law allows the Secretary of State to detail a State Department employee to the American Institute in Taiwan (AIT) while remaining on the U.S. government payroll, if he determines that such a detail is in the U.S. national interest. The law also 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. The original Senate version, S. 1401, contained substantially similar provisions on China and Tibet as the House-passed bill. On May 1, 2002, the Senate Foreign Relations Committee was discharged from further consideration of the House version, H.R. 1646. The same day, the full Senate took up the bill 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.) Conference Report 107-671 was filed on September 23, 2002. The House agreed to the report by voice vote on September 25, 2002, and the Senate by unanimous consent on September 26, 2002.

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 and the Senate Committee on Foreign Relations.

CHRONOLOGY

- 11/08/02** — The 16th Party Congress began, ultimately resulting in the selection of a new 24-member Politburo, a new 9-member Standing Committee, and a new Party Secretary, Hu Jintao, who replaced former Party Secretary Jiang Zemin.
- 09/23/02** — A PRC Navy contingent of two ships completed a four-month deployment marking the first world tour made by the Chinese Navy.
- 09/20/02** — Chinese officials freed AIDs activist Wan Yanhai.
- 08/26/02** — U.S. Deputy Secretary of State Armitage announced the United States was placing the East Turkestan Islamic Movement on its list of terrorist groups.
- 08/25/02** — Beijing published new missile-related export control regulations.
- 06/23/02** — Chinese officials allowed 26 North Korean refugees to leave China.
- 04/30/02** — Vice-Premier Hu Jintao began his first official visit to the United States.
- 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** — President Bush visited China, Japan, and South Korea.
- 01/01/02** — China received permanent normal trade relations from the United States as specified in P.L. 106-246.
- 12/11/01** — The PRC formally joined the World Trade Organization.
- 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 won 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.
- 04/18/01** — 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.
- 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 Briefs and Reports

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

CRS Report RS21351. *Sino-U.S. Summit, October 2002.*

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>].