It is almost certain that the world in the new millennium will see more interactions between the United States and China and also their growing effects on their and the world’s prosperity. It is uncertain, however, how the interactions will develop. Recently, both sides have been puzzled in their interactions.

When U.S.-China relations became strained after the Tiananmen Square incident, Deng confirmed his conviction that China and the United States required a long-term, cooperative, and more trustful relationship, which would be in China’s best interest. During the last decade of the 20th century, however, a concert of historic events unfolded and complicated the earlier relatively simple tones of U.S.-China interactions. Along with other critical events, the collapse of the Soviet Union shook the fundamental bonds of the U.S.-China relationship as much as President Nixon’s visit to China did in the past. China’s “rising” and Taiwan’s change in international status have also affected the U.S.-China relationship. From the view of dynamic equilibrium, although U.S.-China relations from the early

---

1 Hui Wang is President of First China Capital, Inc. and a consultant at RAND. Tel. 310 383-3780. E-mail: fcc888@hotmail.com.

2 In the early 1990s, Deng Xiaoping issued a mandate for relations with the United States: Increase trust, reduce tensions, develop cooperation, and avoid confrontation. It appeared publicly for first time on December 1, 1992, in The People's Daily in a report of President Jiang Zemin’s meeting with a U.S. House of Representatives delegation and Ambassador James Sassor. On February 26, 1989, in a meeting with then President Bush, Deng Xiaoping was quoted as saying, “Increase trust and reduce tensions.”
1970s had their ups and downs, the common fear of the USSR often generated enough mutual interest, tending to draw the two sides together. As Nixon explained it: “During the Cold War, the United States and China were brought together and held together by our fears.” However, the end of the USSR and the cold war essentially eliminated that immediate motivation to remedy any problems in U.S.-China relations.

Prospectively, growing mutual economic benefits and potential mutual interests in maintaining peace and prosperity underline a possible structure for the U.S.-China relationship. The end of prolonged negotiations between the United States and China on China’s entrance into the WTO and illustrates that both sides recognize broad mutual shared interests even though profound differences exist. As the United States is leading the world economy, the potential global impact of China for decades to come, from economic to environmental, should not be overestimated. Particularly, if China continues on its course of economic reform and accelerates broader social and political reforms, interactions between the United States and China could be profoundly more beneficial and productive.

Now, although no new terms have officially replaced the “constructive strategic partnership” initiated and advocated by the U.S.-China Summit in 1997 and 1998, both face challenges to the goal of a mutually beneficial relationship. China appears to be more suspicious of U.S. intentions regarding China’s emergence than at any other time in the last three decades. China has become more confused about the already seemingly elusive U.S. decisionmaking process and at times has been reluctant to communicate with the United States. In addition, President Clinton’s policy of engaging China was never an easy sell, and the American public, including the media and the Congress, often finds it difficult to accept China as a partner. However, many politicians and experts in international policy warn of the strategic danger in possibly misunderstanding and treating China badly and the potentially enormous costs of deterioration of the U.S.-China relationship.

The colorful history of over two decades generally attests that both the United States and China have strategically and pragmatically benefited from their cooperative relationship and mutual good will. History also shows the high price for mistakes in relations with China as shown by two wars near China, and the additional cost to China was forced isolation. The lessons and experiences are rich. In addition, one of legacy of the U.S.-China relationship is a tremendous improvement in and diversified channels of communication between the two countries since rapprochement. These should allow easier avoidance of problems.

Where is the U.S.-China relationship heading and what is driving it? An examination of bonds and tensions between the United States and China is intended to help address this question.

INTRODUCTION

Bonds and tensions between the United States and China are like a matrix of vectors, pulling or push the relationship. Certain elements that cause each side to receive what is expected and justified contribute to the equilibrium. Bonds between the United States and China stem from shared economic, security, and political interests and goals. Tensions between the United States and China arise from differences in and conflicts about economic, political, and security interests and goals. Even the most cynical agree that the United States and China share and respect many interests, rules, laws, and norms. At the same time, even those most optimistic about the relationship recognize the existence of vast differences in interests and in underlying culture, history, political structure, values, social and economic preferences, and recent experience. Additionally, vision and capabilities of leaders and domestic political conditions may from time to time become an important factor in shaping the relationship.

In this chapter, we will discuss bonds and tensions, focusing on world peace and stability, regional security and prosperity, Taiwan, business and trade, the environment, the ideological divide, and domestic factors and debates.

Even through some of the forces that previously drove the United States and China to equilibrium and cooperation do not exist any
changes in the dynamic world also factor new elements and incidents into the relationship. As the collapse of the Soviet Union had different effects on the United States and China, so are their views of mutual interests, needs for each other, tensions, and related tolerance of each other. We have seen a continuous swing in the relationship and some erosion in public support on both sides. While the United States looks for a direction in its China policies, China guesses at the American’s intentions. Particularly, the political rhetoric of presidential election years sends confusing signals and extreme messages to the Chinese. However, new bonds are growing, too, and some of them are not sufficiently appreciated. For example, one of areas in which the United States and China has a growing and long-term interest is the economy. The Chinese economy is still rapidly growing and is more integrated into the world economy than it was ten years ago. The United States and China have more interrelated economic interests than ten years ago, and their economic bond seems likely to continue well into the future.

For discussion, Figure 12.1 is used to illustrate movement of equilibrium of the U.S.-China relationship as determined by bonds and tensions between the two sides. Particularly, the figure illustrates interaction between the two sides in determining equilibrium of the relationship. The vertical axis shows factors of the U.S. side. The higher in the direction of arrowhead, the stronger bonds and the weaker tensions. The horizontal axis shows factors of the China side. From left to right, bonds get stronger and tensions weaker. Conversely, from high to low, or from right to left, tensions get stronger and bonds get weaker. The diagonal represents a collection of equilibrium of the U.S.-China relationship. At equilibrium, interactions of the two sides are reciprocal and the relationship between the sides is considered stable. The diagonal represents the rule of reciprocity in development of the bilateral relationship. The relationship may from time to time fall into the area between the two arches, centered around the diagonal. Departing from the origin along the diagonal, it moves in the direction of a warmer and more cooperative relationship. Theoretically, the closer to the diagonal, the more stable the relationship. Conversely, the further apart from the diagonal, the less stable the relationship. There is a tendency for the relationship to move toward the diagonal one way or the other. If one side
Figure 12.1—The U.S.–China Relationship

considers it treats the other side better than it receives in kind from the other side for a sufficient time, then it will adjust the relationship based on the reciprocity rule. The area beyond the two arches has only a small chance of occurring. In other words, a relationship would be very unlikely to exist beyond the two arches. We apply this figure to the U.S.-China relationship. The star in the figure indicates where the relationship stands, for example, in 1988.

When the relationship falls into the area between the upper arch and the diagonal, two types of situations can occur. First, the United States considers that there are more bonds and less tension than in the Chinese viewpoint. In this area, the United States tends to initiate actions to improve the relationship. Second, China considers more tension and fewer bonds than in the U.S. viewpoint. In this area, China sees the United States as causing more harm, either existing or potential, to the relationship. While the relationship is in this area, the United States would expect China to respond favorably to its signals and actions that are positive to the relationship. If China re-
sponds as expected, the relationship tends to move horizontally to equilibrium, which reflects a warmer relationship. However, if China does not respond for a period of time as expected, the United States would tend to move downward in equilibrium, meaning a colder relationship.

When the relationship falls into the area between the lower arch and the diagonal, there are also two types of situations. First, China considers more bonds and less tension than does the United States. In this area, China would tend to initiate actions to improve the relationship. Second, the United States considers more tension and fewer bonds than China does. In this area, the United States sees China as causing more harm, existing or potential, to the relationship. While the relationship is in this area, China would expect the United States to respond favorably to its signals and actions that are positive to the relationship. If the United States responds as expected, the relationship tends to move upward to equilibrium, which reflects a warmer relationship. If the United States does not respond for a period of time as expected, China would tend to move horizontally to equilibrium, meaning a colder relationship.

For example, Figure 12.2 shows the relative positions of the United States and China in 1988 and 1990. Many observers agree that the cooperation between the United States and China reached its peak in the late years of the Reagan administration, and the relationship went on well through the first few months of the Bush administration, before the Tiananmen Square incident. Both saw each other more as an asset than as a threat. In Figure 12.2, the star for 1988 shows the U.S.-China relationship, basically in equilibrium, located in the area of strong bonds and less tension. Cooperation between the United States and China broadened and deepened. Some cooperation, such as in jet fighter testing and design improvement, was intended to improve the Chinese capability to counter threats from the Soviet Union. Other cooperation indirectly helped raise Chinese technology and skills, such as the financing for over two dozens satellite launches by Chinese rockets, which enhanced Chinese space capabilities.4

As compared to the relationship in 1988, the one in 1990, represented by the 1990 star in Figure 12.2, was sharply lower and a bit leftward. As Secretary James A. Baker observed in 1995:

The Tiananmen Incident shattered the bipartisan consensus in the United States that had been carefully constructed over two decades by five administrations for engagement with China.5

This explains the fall of the U.S.-China relationship in 1990 from that in 1988. Understandably, China’s perception of the relationship descended but not as much as the change in U.S. perception, as illustrated by the leftward movement of the 1990 star in the figure.

---

WORLD PEACE AND STABILITY

The United States has profound interest in promoting a peaceful, stable, and prosperous world. China, to a large extent, shares this interest, and its cooperation and participation could make the American task easier. While the United States maintains dominant power in the world, China remains an East Asian regional power with several elements of global significance. Following are a few of these elements. As a permanent member of the United Nations Security Council, China provides crucial support for carrying out international mandates, peacekeeping, and humanitarian relief and assistance. With its 1.2 billion people, China represents over one-fifth of the world population. China is a member of the world club of nuclear weapons. China set a record for enduring development and growth and bears yet greater market potential for decades to come.

As signatories to such international agreements as the Comprehensive Test Ban Treaty, the Nuclear Nonproliferation Treaty, and the Chemical Weapons Convention, the United States and China share a mutual interest in their viability. Moreover, the United States would benefit from a China that not only accepts international norms but is also involved in crafting, monitoring, and implementing them.

The United States has a strong interest in keeping weapons of mass destruction and other sophisticated weapons out of unstable regions and away from terrorists. The United States understands that many of the threats today and in the decade to come will come not from conflicts between great powers but from states that defy existing rules and from violent nongovernmental groups. China is already a nuclear power with increasingly sophisticated weapon capabilities. The United States needs China’s cooperation in preventing dangerous weapons from falling into the wrong hands.

China has been adjusting its arms sales practices and export of unsafeguarded nuclear facilities. But the United States seems to want China to limit or end some of its weapon sale programs and relationships with troubled clients. In recent years, mostly in response to U.S. requests, China has made efforts in controlling and preventing proliferation of missile and nuclear technologies. However, while the United States takes a lion’s share of the world arms and weapons
market, including selling advanced weapons to Taiwan, which troubles China deeply, China is not immune to its own domestic opposition to current policies of cooperation with the United States. Although a peaceful and stable world is in the interest of both the United States and China, differentiated economic interests have to be addressed, and in fairness, China can be expected to respond only to appropriate incentives. Not without costs, not without opposition, and not without second thoughts, China has managed to demonstrate improving compliance with prevailing rules. The United States needs to have a closer relationship with China to convince and motivate China to cooperate further on arm sales issues. In addition, China has cooperated with U.S. and international organizations in campaigns against drug trafficking and smuggling.

The United States and China also share an interest in limiting the spread of Islamic fundamentalism. For many years, the United States has been combating Islamic fundamentalist terrorists, whose anti-U.S. activities range from kidnapping to embassy bombing. Recently, China has become more concerned with its own terrorist related-problems, having suffered bombings on city buses and in busy shopping areas in cities of Xingjiang and other areas. Some of these terrorists have been trained in traditionally anti-U.S. and anti-West terrorist camps in central and southwest Asia. Although China has traditionally had good relations with Muslim countries, it has become more alarmed by the destructive activities of Islamic fundamentalists. When U.S.-China relations are stable, the United States may find China more willing to cooperate in limiting the spread of Islamic fundamentalism, given China's recent terrorist experiences.

Moreover, both countries would benefit if China had a greater stake in the success of institutions and regimes that foster economic growth. That would mean China's cooperation in supporting, in addition to the United Nations, the World Trade Organization, the International Monetary Fund, the Asia-Pacific Economic Cooperation group, the International Atomic Energy Agency, and others. When the worst financial crisis since World War II hit Asia and subsequently spread to other parts of the world, China's responses earned broad praise. By deciding and openly announcing it would not devaluate the yuan, China offered much needed stabilization during spiraling currency devaluation and a financial system meltdown.
Both the United States and China want to see a stable South Asia and prevent conflicts between nuclear-equipped India and Pakistan from getting out of control. Recently, the high-profile race for nuclear weapons tests between the two in 1998 and the Kashmir conflict in 1999 alerted the world to the instability in this region and confirmed the possible use of the ultimate threat. These incidents further remind the world of how disturbing their profound distrust could be to the region specifically and the world in general if a hostile game of threatened nuclear weapons use abruptly escalated. The United States is expected to continue to play a role in cooling down crises between India and Pakistan. China, although historically inclined to favor Pakistan, would be the last to want to see relations between the two escalate, both of which share borders with China. Since China has increasingly neutralized its position in such conflicts, both countries will try to garner China’s favor, as indicated by both India and Pakistan sending top envoys to Beijing during their most recent confrontation. China, thus, could provide strong support to the United States in preventing any such crises from becoming extreme.

REGIONAL SECURITY AND PROSPERITY

The United States and China have strong mutual interests for peace and security in East Asia and the West Pacific Ring. With bitter experience of being invaded not too long ago and enjoying the rich rewards of economic reform and opening in the last two peaceful decades, China craves a continuing peaceful and stable domestic and surrounding environment. China sees itself fighting an uphill battle against growing challenges and dissatisfaction generated from its economic and social transformation and economic opening. China wants to avoid any chaos and loss of control. Any major disruption, such as a war, could put a halt to the current process of reform and structural change. The United States has broad commitments and strong interests in this area of the world largest population and economic block, from military to business ties. On the one hand, China sees the United States as the single force that can change the environment for its economic growth and further modernization, forcing China to choose very different approaches of development if it does so. On the other hand, the United States recognizes that China has the greatest potential to support or disrupt U.S. interests in this dynamic area of the world.
From the prospective of U.S. national security in this region and Asia at large, winning China’s understanding, cooperation, and support has proven rewarding, while China has found the same with the United States as its ally. After Nixon’s visit to Beijing in 1972, China cooperated with the United States in ending the Indochina wars and in keeping peace there, in driving the Soviet Union out of Afghanistan, in maintaining North East Asian peace and stability, in addition to other more global issues. In the 1970s and 1980s, respect and cooperation prevailed. In fact, since rapprochement with China, the United States has not entered any ground wars in Asia. In the 1950s and 1960s, hostility between the United States and China tragically cost the United States over 100,000 lives in Korea and Vietnam, and resulted in an even greater number of deaths for China.

Unforgettably, China, mostly by siding strategically with the United States in countering the threat from the Soviet Union since the early 1970s, contributed to and benefited from the ending of the cold war as did the United States. During the 1970s and 1980s, the United States and China cooperated militarily, from personnel training, intelligence sharing, and weapons testing, to weapon sales and weapon manufacturing equipment sales. In addition to military and diplomatic cooperation with the United States, China challenged the whole centrally planned Soviet economic model by its then-risky but tremendously successful reform and transition to a market-oriented economy. China, having suffered from the Soviet-style economic system itself, boldly dissolved the commune agricultural system and encouraged free enterprises across industries in the 1980s. Reform helped China achieve a high degree of economic growth and dramatically raised the quality of life of the Chinese people. China presented a strong and convincing case for economic decentralization and liberalization. China’s economic success fundamentally shook confidence in the Soviet economic system and enlightened the thinking of officials and people of centrally planned economies, including those in the Soviet Union.

In terms of security and stability in Northeast Asia, outstanding is North Korea and its nuclear weapon and ballistic missile capabilities. Moreover, North Korea is heavily armed with over one million troops and has also developed other weapons of mass destruction, such as chemical weapons. North Korea’s ideological isolation and economic failure heighten the risk for a military miscalculation. Although dia-
Dialogue and negotiations with North Korea have increased in recent years. North Korea in general remains one of the most uncertain and explosive regimes in the world. While having much less influence over Pyongyang than most of Kim II Sung’s time, China has been critical in averting a second conflict on the Peninsula. China explicitly opposes any military action from the south against the north, and China still holds the most influence over North Korea in any major crisis. Therefore, although the United States has been making the most initiatives on security issues with North Korea, China’s support and cooperation remains crucial to any lasting success. Such joint diplomacy should include resolving questions about Pyongyang’s nuclear program, persuading North Korea to halt further missile testing, and coordinating humanitarian relief. As members of the Four Party Talks on Korean security, the United States and China should continue their cooperation in dissuading North Korea from obstructing progress or from bolting from the process altogether. The talks remain one of the most important channels to diffuse tensions between North and South Korea—a near-term interest that Washington and Beijing share.

Even if there were a potentially dramatic change in North Korea, even beyond the point of North Korea being a threat, the United States needs to cooperate with China regarding the Korea Peninsula. Preparation for a wide range of possible challenges and events of new conflicts or lasting peace requires, at the minimum, the United States to closely consult with China. Likely, the Chinese influence on a unified Korea could grow substantially. Certainly any postunification arrangement in which Washington maintains a military presence in Korea will require some clear understanding with Beijing. Otherwise, China can be expected to exert tremendous, albeit subtle, pressure on the government of a unified Korea to forego any continuing U.S. military presence, leaving Japan domestically vulnerable as the only country in Asia with troops. After all, understanding and cooperation from China on any such security issues require a reasonably good relationship between the United States and China.

However, U.S. moves to proceed with theater missile defense in cooperation with Japan, South Korea, and Taiwan are understood in China as politically and strategically motivated efforts to confront and contain China. China increasingly considers the proposed de-
U.S.-China: Bonds and Tensions

Development of theater missile defense in Japan, South Korea, and Taiwan a major shift, if not outright reversal, of U.S. policy and strategy toward China. By feeding Chinese fears of “being surrounded,” the U.S. alliance in East Asia may do more harm than good. If the North Korean ballistic missile threat disappears, there will be no excuses for American military presence in the area. The extension of theater missile defense to Taiwan would constitute an extremely serious and high-stake turning point of U.S. security strategy in the region. Reactionary adjustments and long-term changes in China’s strategy should be expected, and costs to everyone involved would be high. Before such plans for theater missile defense permanently set back U.S.-China relations, it would be helpful for the United States to reflect on the lengths it has gone to over three decades to open China’s door and how easily such policies could close it.

It is in both U.S. and China’s interests to maintain stability in the countries of Central Asian members of the former Soviet Union, including Mongolia, Kazakstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan. Most of these newly independent countries suffer to different degrees from economic decline and social unrest. The United States wants to see a continuing orderly transition in these countries to a market economy and a democratic political system. Moreover, given the geographic location, the United States wants to assimilate the new Central Asian states into the international community and avoid any adverse changes in relation to the American-dominated security of the Persian Gulf. Meanwhile, as its economic reach rapidly extends, China is enjoying growing interactions in this area. China wants to increase its trade and economic ties with this area and to develop a local partnership for stability and development near its western border. It was in Central Asia that the United States and China once successfully cooperated against invasion by the Soviet Union in Afghanistan and made a classic example for Sino-U.S. cooperation by combining the most advantageous resources from each. However, if the relationship deteriorates, China could be displeased by U.S. strengthening ties in the region—China may perceive such a move as a new potential threat to its western border.

Neither the United States nor China want Russia to lose its remaining social and economic order. Since Russia possesses thousands of nuclear warheads and sophisticated missiles, further deterioration in Russia could potentially make world security uncertain and the al-
ready costly efforts at stabilization more costly. At the same time, both the United States and China do not want to see an expansionist Russia again but a cooperative and restrained Russia. In a long run, the United States and China potentially have more ground regarding Russia to cooperate on than to compete about. Russia is deeply suspicious about the United States and recent NATO developments. The unexpected Russian occupation of Pristina airport in Kosovo and firing of antimissile rockets are clear signs of this suspicion. Russian leaders were explicitly aggravated by the U.S. antimissile plan and implied that there would be consequences if the United States re-signs from the 1972 Antibiassite Missile Treaty. In addition, Russia does not want to degrade economically into a third-world country, and although Russia has been accepting U.S. support, its understanding of U.S.-Russian relations are very different from that of the United States. As Russia’s status as a world power continues to fall, its complaints and distrust will deepen. Even if Russia should become strong again someday, it will present uncertainties to its neighbors and to world powers, no matter whether it is capitalist or communist. Russia is no doubt less threatening than it was 15 years ago. And only ten years’ experience of the “new” Russia has not contested the memory of the “Great Russian imperial consciousness” of the hundred previous years. As long as China possess little military projection power, Russia will view China more as a counter balance to the U.S. superpower and less as a rival. Nevertheless, because of the long shared border, Russia and China’s vigilance of and hedging against each other will reappear when Russia becomes stabilized. From a geopolitical point of view, the United States and China have common interests in preventing a reemergence of an expansionist Russia. But if U.S.-China relations deteriorate, a Russia-China alliance would likely emerge to counter U.S. dominance, which is the last thing that the United States would want to see.

Both the United States and China want Japan to remain a world center of economic prosperity, extending the influence of peace and stability far beyond the region. Japan is another geopolitical factor keeping the United States and China together. Any emergence of Japanese militarism would not be in the interests of either the United

---

7See *The Grand Chessboard* by Zbigniew Brzezinski.
States or China. Even though Japan is a major ally of the United States in Asia, China will likely continue to consider a U.S. military presence in Japan a good exchange for keeping Japan from rearming.

TAIWAN

U.S. support of Taiwan, through arms sales and political commitments, continually provokes Chinese suspicions and distrust. The Taiwan issue also occasionally creates opportunities for the United States to strengthen bonds between itself and China, such as the Clinton administration’s responsive reassurance to Beijing of the U.S. “One-China” policy in the wake of Lee Tenghui’s state-to-state talk. Essentially, China sees the United States as the only real foreign obstacle to the long-dreamed of unification of Taiwan and China.

Taiwan stands out as the source of the most damaging tensions and distrust in the U.S.-China relationship. Taiwan could even cause a war between the United States and China. Taiwan has enjoyed broad sympathy and support from the United States, including formal U.S. congressional commitment to the Taiwan Relations Act and a wide range of personal contacts. In fact, several presidential candidates have promised to involve the United States if China attacks Taiwan. However, as China has indicated, and history demonstrated, it would be a deadly serious mistake to underestimate China’s willingness to defend its interests—and Taiwan is foremost among them.

China views Taiwan as its territory and considers that separation occurred as a result of a combination of civil war and U.S. military involvement. As far back as the 1970s, the Chinese government made it clear that U.S. recognition of Taiwan as part of China was a critical condition to normalized relations. The United States has repeatedly acknowledged that there is one China and that Taiwan is part of China. To mainland Chinese, Taiwan is part of China, and it is inconceivable that it should be separated from China. Concession of Taiwan as separate from China could strip the Chinese government of its legitimacy and the Chinese people’s faith. Regarding issues of territory and sovereignty, the Chinese believe Taiwan is to China as Hawaii is to the United States. The Chinese government simply cannot afford to lose Taiwan without exhausting all means to stop it. Growing up with both pride in its civilization of a thousand years and sorrow about cruel humiliations, the Chinese consider unification
with Taiwan as the final milestone to ending its “Century of Shame.” This national sentiment is deeply rooted in China’s sufferings. It is worth pointing out that this sentiment may restrict China’s view of the dynamically changing world and cause it too much prejudice to deal appropriately with other members of the international community.

Tensions about Taiwan are best reflected in contradictions of U.S. Taiwan policies. To begin, U.S. policy on Taiwan is governed by the Taiwan Relations Act. However, U.S.-China relations regarding Taiwan were initiated, developed, promoted, and institutionalized more on the basis of bilateral treaties, commitments, public statements, and private promises by and between the administration offices of the six consecutive U.S. presidents since Nixon and the Chinese government than by the Taiwan Relations Act. Fundamental contradictions in U.S. signed treaties together with commitments to China and the Taiwan Relations Act are increasingly viewed by China as U.S. violations of pledges to the Chinese. One of the contradictions, for example, is that the Taiwan Relations Act obliges the United States to sell arms to Taiwan while the United States publicly committed to China to reduce the quality and quantity of arms sales to Taiwan.

At the same time, the United States sees itself as obligated to keeping Taiwan’s peace. To the mainland Chinese, U.S. obligations to Taiwan can be better understood as the result of more than two decades of confrontation under the cloud of the cold war. The American obligation toward Taiwan in general cannot be easily dismissed. The United States, however, does not have the same obligations to Taiwan as it has to Japan and South Korea. It also appears not to be in the best interests of Japan or South Korea to allow U.S.-China military confrontations over Taiwan. Japan and South Korea would much prefer to see the United States use its skill, rather than arms, to manage conflicts of interest in the face of dynamic changes in the region. It is also in the United States’ best interests to reduce tensions with China regarding Taiwan and avoid a potential arms race in the region.

Two critically important changes occurred since the late 1970s, when normalization of relations between the United States and China took place and the Congress passed the Taiwan Relations Act. First, China
became a market-oriented economy, and China, although still not
democratic, is significantly more economically open and integrated
with the rest of the world than at any time before. Second, China has
abandoned the goal of “liberating Taiwan” and, instead, proposes a
multiple system under one state. Specifically, China proposes that
Taiwan keep its own political, legal, military, and financial systems,
independent of mainland China. China’s proposal grants Taiwan
more autonomy than Hong Kong has. The proposed Taiwan model
critically differs from the Hong Kong model in that Taiwan would
maintain its own military and own democratic selection of top politi-
cal officials. It is understandable that Taiwan views the unification of
mainland China and Taiwan very differently from the way that China
views it, from the fundamentals of the relationship to the position of
negotiation, given the gap between the political and economic de-
velopment of the two. Even though Taiwan has very different designs
for its future and its relationship with mainland China, China at least
has adjusted itself to a more reasonable and open approach in seek-
ing unification.

The Taiwan issue is not one of freedom and democracy. The U.S.
military involvement in defending Taiwan began when there were
not even democratic elections in Taiwan. Today, Taiwan’s demo-
ocratic election system is a huge asset for its future development and
prosperity. China’s proposal acknowledges the value of Taiwan’s po-
itical system. In fact, in the not-too-distant future, China may want
to learn how Taiwan managed its political transition to a more
democratic system, as Hong Kong set the example of an efficient civil
system and a highly free-market economic system.

The Taiwan issue could push China to become a strong sponsor of
the otherwise rapidly declining Russian weapons production facili-
ties. China would view itself as being forced to spend billions of dol-
ars to support both defensive and offensive Russian weapons ca-
pabilities. Many signs already indicate that such support would not
be just a remote possibility. Allowing the Taiwan issue to corner

---

\(^8\)This was initially introduced by Deng Xiaoping on a visit to the United States. See
*People’s Daily*, February 1, 1979. For the evolution on unification with Taiwan, see
Deng’s instructions in 1984 (“Deng Xiaoping on Unification,” pp. 35–38) and Jiang’s
eight points of 1995 (“Continue Striking to Complete Unification of the Motherland,”
January 30).
China and motivate it to go to Russia for military capabilities definitely contradicts the simplest strategic thinking of the United States. Any sort of Russia-China alliance would disturb the current security balance in the region, and none of the U.S. allies would want to see this happen.

The United States has much more to lose than gain by keeping the Taiwan issue hanging and its Taiwan policy as it is. If there were a civil war, no matter how the United States enters it, it will only look bad for the United States, simply because it would be a “Chinese” war. The United States would be viewed as an instigator because, without U.S. support, conciliation and compromise would replace war in the search for a solution. U.S. military involvement in defending Taiwan could cost the United States loss of both Taiwan and China. First, China is stronger today than was 30 or 40 years ago, and the interests in Taiwan of the United States and China are not symmetric. Second, to China, Taiwan is a life and death issue. To the United States, Taiwan is one of problems in the world that the United States has an interest in. If Taiwan seeks independence, and the United States becomes involved in a war in Taiwan, Taiwan will be destroyed. China and Taiwan will both blame the United States, and the United States will likely gain nothing positive from the situation. Furthermore, the Chinese would believe that without the United States, Taiwan simply would not choose independence from China. In addition, Taiwan would not appreciate U.S. support if it ends with war and devastation of the island. Some independence advocates may even complain that the United States did not give enough support in a war or that it did not endorse Taiwan independence clearly and firmly enough.

Regarding hedging policies, there are various schools of thought. U.S. hedging on China with Taiwan sounds logical but is seriously flawed.9 One of the theories is that the United States should help Taiwan preserve the status quo, and that if China evolves into a democratic and friendly nation, U.S. policy could shift to encourage unification. Otherwise, the United States could support strengthening of Taiwan’s de facto independence. The flaw is obvious: This is by

---

9Gilbert Rozman also provides a thought on hedging: in a world in which China stands alone, though respected and unthreatened, the United States leads a coalition of regional powers as a hedge against possible threats from China.
and large a hedging of taking hostages. When hostage hedging happens, hostilities have already taken place, and therefore no other side for hedging exists. Even Taiwan, similar to a hostage, would hardly be happy with this situation for long either.

On the one hand, Taiwan could block China’s view over the United States and, similarly, it could block American’s view over China. China could not take U.S. intentions to defend Taiwan more hostile to China. If such similar problem happens to the United States, the United States would understandably very much does the same. It would do both the United States and China good if such a source of negative feelings and distrust could be eliminated. A separate Taiwan was, in general, a result of “century of shame” in history and, more specifically, civil war. The United States and China should find way to step across this slippery pool of water and look at larger issues with longer views to enhance the interest of both. The issue of the United States defending Taiwan keeps provoking doubts, suspicions, and distrust among the Chinese about the intention of the United States. In the last few years, the Chinese increasingly doubt their inclined assessment of economic and political values that the United States advocates. They become more suspicious of the U.S. purpose of engaging China and ask themselves if the U.S. stance on Taiwan is part of its new containment policy. Further, distrust arises that the United States wants, if possible by any means, to see a weak China because the United States takes a strong China as a challenger.

On the other hand, with the Taiwan issue lingering, Americans could get the impression that China is threatening a much smaller Taiwan, which has a democratically elected government. Americans sometimes become incensed when a communist country tries to deprive a democratic nation of its freedom. Because of potential military confrontation and the fact that China is nuclear weapon equipped, Americans may consider China as an even bigger threat.

However, fighting a war to solve the Taiwan issue is not in China’s best interests either. China could win such a war. But the war would cost both Taiwan and China years of savings and investments. Chinese would be taking Chinese lives. Such a war would subordinate many of the urgent tasks for modernizing China, leaving millions of people below the poverty level in Ganshu and Guizhou to suffer much longer. If China resorts to war, with or without U.S. mili-
tary invention, China will pay a dear price with extremely high interest for decades to come. Recent history clearly shows how important and how much value a good image is to China and to China’s dream of modernization. In general, war on Taiwan would inevitably contradict China’s interests in economic development, regional security, and integration with the world community. A war would not only cost China tremendously and immediately but also hurt its critical international relations and image for a long time to come. China should want to play the role of sophisticated and respected deal-maker rather than orthodox knight. China needs to be seen as a country that the region can rely on for safety and stability. China does not want to make its neighbors feel safer only if they have a force to counter and balance it. China should want to deepen economic integration in the East Asian region rather interrupt the current process with a war.

Regarding the people of Taiwan, China should want to earn and establish more trust after 50 years of separation. China needs to learn to listen to Taiwan. China needs to constantly examine what it offers Taiwan. Further, China should examine what it can do to improve itself to better embrace Taiwan. China may have to admit that there are things needed to accomplish the patching of some important gaps. It is likely beyond question that China should go further with its economic and political reform. In addition to many of Taiwan’s concerns, there is suspicion or a lack of assurance or institutionalized guarantees for China’s promises. This lack remains a basic obstacle to unification in the hearts of some Taiwanese.\(^{10}\) The freedom that mainland Chinese enjoy and the institutions behind this freedom will be the most convincing evidence in Taiwan’s verdict.

If war is China’s only means of effective communication with Taiwan, this is telling of at least poverty of wisdom, considering all the pride of China’s past and in the face of developments in the age of communication. Both sides of the Taiwan Strait came from a similar culture of the art of war and philosophy of peace. According to Sun-tzu: “To win without fighting is the acme of skill.” If wisdom,

\(^{10}\)Taiwan’s President, Jiang Jinguo, discussed unification in 1982 with a Newsweek reporter.
confidence, and patience can combine properly, a win-win outcome is still possible.

China needs to search for vision and wisdom in resolving the Taiwan issue. The vision is looking forward 30 to 40 years, when broader economic integration, deeper cultural exchanges, and more rational reasoning based on human respect will eventually set the background for political decisions. Wisdom should be reflected in China's offers to Taiwan. Particularly, these offers should reward Taiwan for voluntary unification.

In addition, any war with Taiwan will cause China to lose the foreign investments that China’s growth increasingly relies on. China relies more than ever before on long-term partners in its trade and investments. A war would cast a lingering shadow over the heart of business planners and investors. A war would also distance China from the world business community if not ruin its hard-earned relations with this community.

As the common ground on which the U.S.-China relationship prospered in the 1970s and 1980s continues to face erosion, the two sides need to think more openly, patiently, and creatively to reach an appropriate approach to Taiwan. A peaceful solution regarding Taiwan will eventually rest on the economic interests, well-being, and the development of rational thinking on both sides of the Taiwan Strait. The United States and China need to look beyond Taiwan in search for a new relationship on the basis of long-term strategic interests in the 21st century.

**BUSINESS TIES AND TRADE IMBALANCE**

Business and economic bonds between the United States and China have been steadily strengthening since the rapprochement of the early 1970s. Still, more economic opportunities continue to arise and unfold. The growing economic bonds between the United States and China can be attributed to economic resources and mutually attractive business opportunities. On the one hand, China can offer an enormous market of people with fast-rising incomes and an almost unlimited supply of labor. The United States, on the other hand, offers the leaders in technology and development of competitive busi-
ness organizations. However, tensions regarding trade imbalances became noticeable in the early 1990s and have turned political.

Since the first U.S. joint-venture started in Beijing in April 1980, investments from the United States have bloomed in China, from McDonald’s fast food, to Motorola cellular phones, to GM’s Buick cars. American direct investments in China mounted to $25 billion by the end of 1998, while another $20–25 billion was committed toward future investments, with nearly $4 billion committed for investments in 1998 alone (see Table 12.1).11

U.S.-China trade experienced steady growth since the early 1970s and particularly since China began its economic reforms in the late 1970s and early 1980s. In 1972, direct trade between the United States and China was less than $13 million (or, according to American statistics, which include trade through third countries, trade was less than $100 million). U.S.-China annual trade rose to nearly $5 billion in 1980 according to both American and Chinese statistics. It further increased to $20 billion in 1990 (according to U.S. statistics) or $12 billion (according to Chinese statistics), and more recently stood at over $80 billion (U.S. statistics) or $55 billion (Chinese statistics) (see Table 12.1).

While the U.S.-China trade volume grows, the share of trade with the United States in the overall foreign trade of China has been rising. According to Chinese statistics, the share of Sino-U.S. trade of total Chinese foreign trade increased from 12.6 percent in 1980 to about 15 percent in 1995, and to an estimated 20 percent in 1998. According to U.S. statistics, the share rose from 12.9 percent in 1980 to 17.3 percent in 1990, to 20.4 percent in 1995, to 21.9 percent in 1996, to 23.2 percent in 1997, and to an estimated 25 percent in 1998.

At the same time, the share of trade with China in the overall foreign trade of the United States rose from an insignificant figure in the 1970s and early 1980s to about 5 percent in 1998. From 1996 to 1998, China was among the top five trade partners of the United States, after Canada, Japan, and Mexico.

---

11All dollar amounts are U.S. dollars unless otherwise noted.
### Table 12.1

U.S. and China Total Trade Volume and Balance
(in billions of unadjusted U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>0.013</td>
<td>0</td>
<td>0.10</td>
<td>0.03</td>
</tr>
<tr>
<td>1973</td>
<td>0.26</td>
<td>-0.18</td>
<td>0.30</td>
<td>0.67</td>
</tr>
<tr>
<td>1974</td>
<td>0.48</td>
<td>-0.27</td>
<td>0.33</td>
<td>0.70</td>
</tr>
<tr>
<td>1975</td>
<td>0.47</td>
<td>-0.21</td>
<td>0.46</td>
<td>0.14</td>
</tr>
<tr>
<td>1976</td>
<td>0.32</td>
<td>0</td>
<td>0.33</td>
<td>-0.07</td>
</tr>
<tr>
<td>1977</td>
<td>0.29</td>
<td>0.065</td>
<td>0.33</td>
<td>-0.03</td>
</tr>
<tr>
<td>1978</td>
<td>0.99</td>
<td>-0.45</td>
<td>1.1</td>
<td>5.0</td>
</tr>
<tr>
<td>1979</td>
<td>2.4</td>
<td>-1.3</td>
<td>2.4</td>
<td>1.07</td>
</tr>
<tr>
<td>1980</td>
<td>4.8</td>
<td>-2.8</td>
<td>4.9</td>
<td>2.6</td>
</tr>
<tr>
<td>1981</td>
<td>5.9</td>
<td>-2.9</td>
<td>5.5</td>
<td>1.7</td>
</tr>
<tr>
<td>1982</td>
<td>5.3</td>
<td>-2.1</td>
<td>5.4</td>
<td>0.41</td>
</tr>
<tr>
<td>1983</td>
<td>4.0</td>
<td>-0.6</td>
<td>4.6</td>
<td>-0.30</td>
</tr>
<tr>
<td>1984</td>
<td>6.0</td>
<td>-1.4</td>
<td>6.3</td>
<td>0.38</td>
</tr>
<tr>
<td>1985</td>
<td>7.0</td>
<td>-1.7</td>
<td>8.1</td>
<td>-0.37</td>
</tr>
<tr>
<td>1986</td>
<td>7.3</td>
<td>-2.1</td>
<td>8.3</td>
<td>-2.1</td>
</tr>
<tr>
<td>1987</td>
<td>7.8</td>
<td>-1.8</td>
<td>10.4</td>
<td>-3.4</td>
</tr>
<tr>
<td>1988</td>
<td>10.0</td>
<td>-3.3</td>
<td>13.5</td>
<td>-3.5</td>
</tr>
<tr>
<td>1989</td>
<td>12.3</td>
<td>-3.5</td>
<td>17.8</td>
<td>-6.2</td>
</tr>
<tr>
<td>1990</td>
<td>11.8</td>
<td>-1.4</td>
<td>20.0</td>
<td>-10.2</td>
</tr>
<tr>
<td>1991</td>
<td>14.2</td>
<td>-1.8</td>
<td>25.3</td>
<td>-12.7</td>
</tr>
<tr>
<td>1992</td>
<td>16.7</td>
<td>0.5</td>
<td>33.2</td>
<td>-18.2</td>
</tr>
<tr>
<td>1993</td>
<td>27.7</td>
<td>6.3</td>
<td>40.3</td>
<td>-22.8</td>
</tr>
<tr>
<td>1994</td>
<td>35.4</td>
<td>7.0</td>
<td>48.1</td>
<td>-29.5</td>
</tr>
<tr>
<td>1995</td>
<td>40.8</td>
<td>8.6</td>
<td>57.3</td>
<td>-33.8</td>
</tr>
<tr>
<td>1996</td>
<td>42.8</td>
<td>10.5</td>
<td>63.5</td>
<td>-39.5</td>
</tr>
<tr>
<td>1997</td>
<td>48.9</td>
<td>17.4</td>
<td>75.4</td>
<td>-49.5</td>
</tr>
<tr>
<td>1998</td>
<td>54.9</td>
<td>21.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**NOTE:** The data on China do not include those for Hong Kong.

While both countries enjoyed economic benefits from this trade, the U.S. trade deficit with China has become a major economic and political issue. The U.S. trade deficit with China ranks number two after Japan. If the trend continues, the U.S. trade deficit with China could in the near future surpass that of the United States with Japan.

Regarding the trade imbalance issue, the first and the most important factor is the openness of the Chinese market. China should
make its markets more open, allowing more American goods and services to have access to the Chinese market. China should act more quickly to remove market barriers and entry restrictions designed to limit competition from foreign businesses. At the same time, the United States should look more closely and specifically at the trade deficit issue. Some specific factors in trade balance measurement and assessment should be considered carefully: After two decades of foreign investment and economic reform, for every dollar of Chinese export in 1998, 45 cents accrues to foreign investors.\textsuperscript{12} In the last decade or so, Hong Kong and Taiwan businesses moved to China a massive amount of labor-intensive industries, such as shoes, apparel, toys, electrical and electronics, and computer parts and components. Moreover, the United States needs to further lift restrictions on exports and allow more U.S. technologically advanced products to be exported to China. The current rigid restriction system deprives American businesses of hard-earned opportunities and chokes a potentially enormous market and development of business interests. This is particularly true for technology industries given the extremely fast pace of technology development and innovation. Given that the United States and China reached an agreement in November 1999 on China's entrance into the WTO, it is ever more promising that the Chinese market will be more open to U.S. business and investment. Once China enters the WTO, implementation of China's commitments will be overwhelming, but, as the Chinese economic transition for entrance into the WTO proceeds and succeeds, enormous opportunities will emerge for China and the United States.

With proven benefits and rewards from economic opening and market-oriented reform, China has to more firmly embrace globalization and integration with the world economy. Fear of foreign economic dominance, overprotection of the national economy, and more time for economic transition are unceasing dragging on the reform process since the very first day China took the path of reform. Although appropriate planning and careful timing is always a good idea for major policies, experience suggests that China should worry more about being slow to open up and reform than being too fast. Even assuming China moves faster in opening up its markets, a large American trade deficit with China is likely to remain.

Another area in which China needs to improve is to make its market more open and attractive to U.S. investment. China receives less than 0.5 percent of U.S. investment from abroad, in sharp contrast to 5 percent share of trade. China attracts less investment from the United States than do Taiwan or Singapore, where economies enjoy much more freedom and easy access for foreign investors under the rule of law. Specifically, China should expedite reducing barriers for foreign investment in infrastructure and the service, retail, and financial sectors.

China also needs to focus on improving the investment environment regarding the rule of law. Although there is no doubt that China has moved far and fast in developing a market-oriented economy, China lags way behind in terms of the investment environment as compared with competing economies in such East Asian countries as South Korea, Taiwan, and Singapore. In China, uncertainties about business transaction costs are high, while legal protection of property and business is low. Currently, China attracts most of its foreign investment from overseas Chinese. China also needs to make itself more attractive to multinational corporations, which rely on the rule of law for both protection and establishment of expectations. For long-term or short-term benefits, there is nothing more beneficial to China than spending resources on accelerating development of the legal system for a market-oriented economy.

Currently, the United States and China should focus on reaching a fair, commercially viable, and practically accountable agreement for China on WTO entry. Once an agreement is reached, the next task will be for the United States to work with China to fully implement China’s WTO commitments, which may require much more political and economic resources than can currently be understood, given the diversity of the Chinese economy.

In other economic and business areas, depending on overall relations, the United States can cooperate with China by applying its experiences and resources. Specific areas include fixing problems of state-owned enterprises, industrial restructuring, banking system reform, efforts against corruption, development of the rule of law, development of social and economic policies for unemployment and social security, and ongoing career education.
THE ENVIRONMENT AND NATURAL RESOURCES

China is a major partner with the United States in the global effort to protect the environment. Although China’s per-capita production is very low, with one-fifth of the world’s population, China should expect to cooperate more on and contribute more than it has in the past to pollution control and environmental protection. Currently, China is the world’s number one producer of steel, coal, cement, fertilizer, and similar products. And two-decade’s economic growth, which has lifted millions out of poverty, has caused serious environmental damage that will be felt for many years to come.

Some of this damage is already devastating. A survey in 1997 shows more than one-third of monitored urban river sections are seriously polluted and that they do not even meet the lowest standards necessary for irrigation water, not to mention drinking water. In many major cities, such as Hangzhou and Yibin, over 70 percent of rainfall is acid rain. The frequency of acid rainfall in some cities, such as Changsha and Zhuengyi, reaches 90 percent.

Although China has taken many measures to prevent environmental damage, it will likely see its environment get worse before it gets before. The United States and China are both among the top polluting countries in the world. The principal pollutants include carbon monoxide, lead, nitrogen oxide, and sulfur oxide. China is the world’s second largest greenhouse gas producer, trailing behind only the United States.

Although it has a long way to go, China has voluntarily devoted substantial financial and human resources, in addition to regulation efforts, to clean air and water and to preserving the ecological system. China’s increasing market orientation requires a strategy for future environmental protection that goes beyond the measures of the past. Achieving environmental protection goals will require sacrifices in the near term and experience to make the battle more effective.

The United States and China, together with other countries, need to cooperatively work out incentive programs for China and other less-developed countries to shorten the process of cutting down emission rates to the level of more-developed countries. China remains a poor country, with half the population subsisting on under $2 a day. As Mark Hertsgaard observed, although being a big source of pollutant
emissions, “China emits a far smaller amount of greenhouse gases per capita than the rich nations whose earlier industrialization has already condemned the world to climate change.” 13 The fact is that the per-capita income of China is still well below the world average, and the Chinese in most of the inland areas have basic and urgent needs still to be met. Given this, future benefits and costs are subject to a higher discount rate in calculations and decisionmaking. Controlling pollution and improving the environment may involve near-term sacrifices and disproportional allocations of the benefits. Environmental protection could be an extra or unfair burden for certain generations. On top of that, it requires understanding, cooperation, investment, and conscious action from all of the people. Although determined, China is facing an uphill battle in this ambitious environmental war—to reduce emissions in 2020 below today’s levels, improve air and water quality, and lower pollution-related health costs by 75 percent—while at the same time China will again quadruple its output. As for the United States, it needs to work with China on the environment. Absent a radical shift in world policies, the greenhouse effect, for example, and other environmental damage will accelerate global climate change, melting polar ice caps, and causing more and nastier hurricanes, droughts, and blizzards. The United States, China, and the rest of the world will suffer from such changes. The United States also has the resources and experience to assist China. This is a potential a major bond for the United States and China. Although China has realized the benefits of preserving the earth and protecting the environment, China undoubtedly has its own agenda, which may be far from that of the United States on this score. Given the huge differences in social and economic development, both the United States and China can see a clear common interest in working closely on accelerating China’s environmental efforts.

IDEOLOGICAL DIVIDE AND DOMESTIC FACTORS

Tensions arise between the United States and China on such issues as the structure of the world order and how to maintain it, interna-

tional interference in human rights issues versus state sovereignty, democratization and government-citizen relations, abortion and family policies, freedom of religion, and the rule of law. When there was a common threat, tensions in these areas did not prevent the two countries from developing strategic cooperation against the Soviet Union in the 1980s and part of the 1970s. Since the early 1990s, however, there has been a consistently increasing level of difficulty in consensus building on almost all of these issues. The difficulty for the U.S. administration in reaching consensus with the Congress cannot be better illustrated in terms of its potential damage to the U.S.-China relations as in the case of President Clinton’s reluctance to proceed with a WTO agreement when Premier Zhu took a great risk in making unexpected concessions in Washington.

China differs with the United States on the structure of the future world order. Beijing opposes what it sees as Washington’s troubling tendencies toward unilateral action. Like many other countries, China does not support U.S.-led military interventions in such hot spots as Kosovo and has expressed grave concern about the possibility of U.S. military action in North Korea. However, on the developments in East Timor and the subsequent sending of UN peacekeeping forces, China and the United States stood together throughout, with early opposition from Russia.

The issue of human rights in China causes constant tensions between Washington and Beijing. The Chinese leadership strictly limits any organization’s ability to challenge the ruling party. The Chinese government considers criticism of China’s human rights record as interference in its state sovereignty. The Chinese leadership argues that it has improved economically human conditions and living standards, lifting more Chinese out of poverty than at anytime before. It often points to decentralization and liberalization of the economy as development of freedom for individuals. The Chinese government further views human rights issues as having been used against it in the way of blackening its image and introducing unstable factors. Chinese leaders have repeated from time to time that stability overrides everything.14 The Western conviction is that state power stems

---

14Even before the Tiananmen Square incident, Deng Xiaoping told visiting U.S. President Bush: “Stability overrides everything. Without stability, nothing can be
from the people rather than the people’s strength emerging from the state. Yet, in the past, American administrations have seen human rights as a Chinese domestic issue, secondary to fundamental U.S. interests. More recently, however, humanitarian and security interests have become increasingly intertwined for the United States.

Both the United States and China involve multiple domestic forces in shaping their relationship. In the United States, as a result of democracy, interest groups, the media, and various governmental branches all attempt to affect the relationship. Sometimes, domestic feelings can choke new initiatives that may carry strategic merits for fundamental U.S. interests. Cultural and ideological differences may also intrude in U.S. policies on China. For example, according to Kenneth Lieberthal, 120 congressmen voted against China’s most-favored-nation trade status in 1996 because of their opposition to China’s birth control policies.15

U.S. labor unions have also been criticizng China’s trade policy, considering China a threat to their interests. Growing imports from China and the large U.S. trade deficit with China has been a regular target of many U.S. interest groups. Conservative presidential candidate Pat Buchanan also joined in the fray with his strong rhetoric on protectionism. The voices could get very loud, particularly when the U.S. economy was in trouble and unemployment rates were high.

Human rights and antiabortion groups represent two of the strongest voices against China. Considering that the abortion issue has caused serious violence in America, it is not surprising that this group has taken a stand against China’s mandatory birth control policy. These two groups are sometimes highly political and influential in domestic policy. Human rights groups have become more powerful in international policymaking than ever before, in terms of their influence both over the government and corporations. They regularly publish human rights reports and comment on government and corporate policies. It is interesting to note that these groups, while often critical

---

of China’s behavior, work hard with Chinese authorities and agencies to keep dialogue and communications open.

The U.S. Congress, by and large, has also been difficult in reaching consensus with the administration on China policies since 1990. With the Tiananmen Square incident lingering, the Congress has been critical of both Presidents Bush and Clinton. Although partisan factors are undeniable, the Congress appears to view China differently at present than it did in most of the 1980s. The Congress has been particularly alert to the issue and potential threat of a rising China.

China has sometimes found it difficult to comprehend that political forces, other than the administration, have sway in the formation of U.S. policy on China. The Bush and Clinton administrations have borne a heavy burden of criticism over their China policies. While U.S. administrations should develop clearer and more persuasive thinking on China policy in efforts to build consensus with Congress, both the United States and China would be better off if China had a better understanding of the mechanisms involved in U.S. politics and reflect this understanding in its policies and dealings with regard to the U.S.-China relationship.

As for China’s U.S. policymaking process, it is no longer the same as what it was in Deng’s or Mao’s time. Interest groups are playing a greater role. The reactions in the bureaucracy to Premier Zhu’s concessions and failure clearly implied this change. Given governmental decentralization and the development of industrial representation in government since the early 1980s, economic and political interests have driven ministries, provinces, and industrial associations to voice their demands and protect their interests. It is noticeable that economic liberalization in China does not stop at the corporate and individual level, but penetrates into all levels of the economic hierarchy and the thinking of citizens and officials.

Nationalism appears to be rising in China and could become an important domestic factor the Chinese leadership will need to carefully consider in dealing with the United States. In addition, the dispatch of two U.S. Navy carriers to the Taiwan Strait and the accidental bombing of the Chinese Embassy aroused broad resentment in China.
CONCLUDING REMARKS

There are many bonds and tensions between the United States and China arising from their own deep interests and perception of the interests. Development of the relationship is subject to these opposed forces.

The equilibrium of U.S.-China relations moves as a result of constantly shifting actions and interactions. The relationship is a high-stakes game. At present, the United States has greater strength and influence. China has its vast fast-learning populace. The United States has more international interests to manage. China has more domestic problems of social and economic transformation to resolve. Both benefit from their trust in each other and suffer from confrontations with each other. The United States has many forces contributing in the shaping its policy toward China. China is beginning to see different groups voicing opinions about China-U.S. policy.

Figure 12.3
as a result of economic and social progress. The United States, in dealing with China, seems to need more political patience, cultural tolerance, understanding of China’s social diversity, and even broader media coverage of social and economic developments in China. China, in dealing with the United States and the world at large, seems to need to challenge itself more with market competition, development of legal and democratic institutions, social openness, and adaptation to international norms. In general, both need show each other more respect and to improve their understanding of the other for a constructive relationship to develop between these two vastly different countries. It is hoped that the United States and China can learn to develop good will and mutually beneficial cooperation.

At this time and in the near future, the United States is in the better position for initiating and leading the development of the U.S.-China relationship. China will respond, as confirmed by the history of the last half century. As David Shambaugh elegantly put it: “If the United States treats China as an adversary, it will become one.”16 With all the common bonds and interests of the United States and China, if the United States treats China as an friend, China is likely to act like one.