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# Policy Brief

## summary

President George W. Bush's visit to China this month is an opportunity to do far more than make rhetorical commitments to a constructive U.S.–China relationship. The post–9/11 context, China's accession to the WTO, and Beijing's coming leadership change converge to make important improvements possible. Policy adjustments on key security issues and a new attitude toward Chinese political reform would lay the basis for a balanced, long-term China policy that could command broad political support in the United States.

Direct U.S. presidential leadership is especially crucial for the four core security issues: Taiwan, missile defense, non-proliferation, and counter-terrorism. Washington should reaffirm its one-China policy, clarify its intent on missile defense, and press China to fulfill its obligations to non-proliferation agreements.

A forward-looking strategy also demands that the United States abandon its ambivalence toward the support of Chinese political reform. Instead, it should provide leadership to promote democratic institutions and the rule of law in China.

## Rebalancing United States–China Relations

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President George W. Bush's visit to China, Japan, and South Korea in February 2002 highlights the vital importance of the Asia-Pacific region to the United States. His stop in China will be especially significant. He will arrive in Beijing on precisely the 30th anniversary of Richard Nixon's historic journey to China, and at a time of notable—if limited—improvement in relations between China and the United States after one of periodic harsh rhetoric and tense confrontation.

The Bush administration's China policy at first dramatically departed from that of Bill Clinton's administration. Beijing was characterized as a “strategic competitor” and a potential threat to peace and stability in Asia. Despite its early statements in support of amicable relations and increased trade, the Bush administration sought to counter growing Chinese influence in the region by strengthening U.S. ties with Australia, India, Japan, and South Korea. Contact with China was simultaneously limited, especially in military relations. In contrast, military and political support for Taiwan were significantly enhanced, and President Bush stated that the United States would “do whatever it takes” to defend the island in the event of a Chinese attack. Moreover, bilateral relations

almost went into a free fall following the April 2001 collision between a U.S. reconnaissance plane and a Chinese fighter jet near Hainan Island.

These confrontational aspects of the new administration's policy were eventually balanced by signs of moderation and cooperation, beginning with U.S. secretary of state Colin Powell's visit to Beijing in July 2001. The administration subsequently reached an agreement with China on Beijing's accession to the World Trade Organization (WTO) and refused to support congressional efforts to oppose Beijing's bid to host the 2008 Olympics.

Such changes to some extent reflected the influence of State Department officials who were supportive of greater diplomatic engagement with China, countering the influence of hard-liners within the Defense Department. However, the major impetus for improved United States–China relations was provided by the terrorist attacks of September 11 and the subsequent war on international terrorism led by the United States.

These momentous events have recast U.S. priorities, reducing the level of attention to the Chinese strategic challenge while creating opportunities for cooperation between



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The Endowment's new China Program was launched in October 2001. Its research on political economy, security studies, and the rule of law will be conducted through partnerships with Beijing's Central Party School and the Shanghai Academy of Social Sciences.

China and the United States. China has taken several helpful steps, including:

- Facilitating the passage of U.N. resolution 1373 on combating terrorism;
- Establishing cooperative mechanisms with the United States in intelligence, financial monitoring, and law enforcement;
- Agreeing to resume talks on military maritime safety issues;
- Dispatching a deputy foreign minister to Pakistan to urge it to support the U.S. effort in Afghanistan; and
- Expressing its "understanding" of Japan's unprecedented naval deployments to the Indian Ocean in support of the counterterrorism effort—thus suppressing its long-standing phobia about a revival of Japanese military power.

The United States has reciprocated for this Chinese cooperation with increased high-level contacts and, most important, with the October 2001 meeting between Bush and Chinese president Jiang Zemin in Shanghai at the Asia Pacific Economic Cooperation forum. This meeting resulted in a common characterization of the United States–China relationship as "constructive and cooperative" (and President Bush added "candid").

Such improvements, however, do not constitute a fundamental strengthening and stabilization of the relationship. Beijing continues to harbor great uncertainties about the Bush policy toward China; moreover, it remains unclear to other outside observers whether U.S. policy is well coordinated and directed from a single source. Most important, the basic areas of friction between Beijing and Washington remain. Thus, President Bush's upcoming visit offers a rare opportunity to demonstrate top-level direction, and to reaffirm Washington's intent to maintain a long-term approach to Beijing that effectively balances deterrence and resoluteness with reassurance and cooperation. Several security and political issues in particular should be at the center of this effort.

## Core Security Issues

### Taiwan

The issue of Taiwan remains the fundamental source of instability in the bilateral relationship, creating conditions that could eventually result in a military conflict between China and the United States. Beijing and Taipei continue to differ fundamentally over the political and international status of Taiwan. This gap is arguably widening, largely as a result of continuous movement on Taiwan toward a separate national identity and China's inability and unwillingness to modify its "one country, two systems" formula for reunification. Although Beijing insists that Taipei recognize the one-China principle before any cross-Taiwan Strait talks can resume, Taipei rejects any such preconditions and has moved even further from the concept of one China since the Democratic Progressive Party's Chen Shui-bian became president in March 2000.

During the past year, a pledge by Chen not to engage in any provocative actions, an explosion in cross-strait economic ties, the movement of large numbers of Taiwanese businessmen and their families to coastal cities such as Shanghai, and an increased focus by both Beijing and Taipei on their respective domestic concerns have reduced cross-strait tensions. Moreover, Beijing has apparently softened its hostile stance toward the Democratic Progressive Party since the party's electoral gains of December 2001. But because China's leaders still fear that the Chen government is moving toward independence, possibly with the backing of the Bush administration, they believe that they must put sustained political and military pressure on Taipei. Hence, though tensions have been lowered, the basic dangers and instabilities underlying the Taiwan issue remain.

For its part, the Bush administration has done little to alter this negative dynamic. Although Washington has not repeated Bush's March 2001 statement that the United States would "do whatever it takes" to defend Taiwan, the administration continues to exhibit a decided tilt toward Taipei. It is countering the continued Chinese military buildup along the Taiwan Strait by providing Taiwan with unprecedented levels of military arms and

assistance. It has also permitted far more extensive contacts with senior Taiwanese politicians. In the absence of greater trust and clear progress toward a resumption of the long-stalled cross-strait dialogue, however, a growing emphasis by the United States on military deterrence and political support for Taipei eventually could even further destabilize the bilateral relationship. Washington needs to more effectively address the political dimensions of the Taiwan issue by adopting a consistent, visibly evenhanded stance that explicitly seeks to reassure as well as to deter *both* Beijing and Taipei.

### Missile Defense

The Bush administration has maintained an unwavering commitment to national missile defense, despite the impression—provided by the events of September 11—that the major threat to U.S. security is posed by weapons other than ballistic missiles. The improvement in United States–Russia relations since September 11 has facilitated the Bush administration’s withdrawal from the Anti-Ballistic Missile Treaty and further movement toward the development of a limited U.S. missile defense system. Although Bush personally contacted Jiang to explain this U.S. action, Beijing remains deeply concerned that a U.S. missile system could neutralize China’s small strategic missile force and thus expose Beijing to nuclear coercion in a crisis between China and the United States. This concern could increase the incentive for China to act preemptively in such a crisis. It could also compel Beijing to increase significantly its strategic forces, which in turn could prompt an increase in India’s nuclear missile arsenal. Senior U.S. officials have stated again and again that Washington does not seek to neutralize China’s strategic deterrent by deploying a missile defense system. Before joining the Bush administration, however, some of these officials had supported that objective.

The United States also remains committed to deploying theater missile defense systems in Asia, despite some recent setbacks. Beijing is concerned that a U.S. sale of land- and sea-based theater missile systems to Taiwan will seriously erode China’s ability to maintain

political and military pressure on Taiwan through the deployment of short-range ballistic missiles along the Taiwan Strait, thereby emboldening Taipei to move further toward independence. Perhaps even more important, Beijing also fears that the sale of sophisticated theater missile systems will significantly strengthen defense cooperation between the United States and Taiwan, thus further deepening Washington’s security commitment to Taipei. The Bush administration has yet to present a clear, detailed public response to these Chinese concerns.

### Nonproliferation

During the past decade, China’s involvement in the proliferation of systems and materials associated with ballistic missiles and weapons of mass destruction has significantly declined, due to both persistent U.S. efforts and changing Chinese perceptions. Progress on limiting China’s involvement in nuclear proliferation has been especially notable. However, given strong U.S. support for missile defense, the increased salience of the Taiwan issue, and the overall ups and downs of United States–China relations, China’s continued support for arms control and nonproliferation efforts should not be taken for granted. Concerns remain over possible Chinese nuclear- and missile-related assistance to Iran and Pakistan, as well as China’s overall commitment to controlling the export of dual-use technologies (those having both civilian and military applications). Moreover, China has failed to fulfill its November 2000 agreement with the Clinton administration to publish an export control list for dual-use technologies. Although the Bush administration stresses that nonproliferation is a major U.S. foreign policy goal, since September 11 neither side has moved significantly forward to increase cooperation in this arena.

### Counterterrorism

Although cooperation between China and the United States in the war against terrorism has helped to stabilize their overall bilateral relationship, future developments in this area could severely disrupt their long-term relations—especially regarding security. Four issues are of particular importance.



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First, the United States's enhanced political and military involvement in Afghanistan has severely disrupted the pattern of cooperation that China had established with Central Asian states and Russia over such issues as border demarcation, energy development, confidence-building measures, terrorism, and—in China–Russia relations—a common criticism of U.S. unilateralism. Over time, these developments could heighten Chinese frustration and resentment and precipitate countermoves that could undermine bilateral relations.

Second, the decision of Pakistani president Pervez Musharraf to support U.S. policy in Central Asia and to crack down on Islamic radicals and terrorists at home might reduce Chinese influence in Pakistan and could severely destabilize Pakistan. Either outcome could produce tension between Washington and Beijing over how to address long-term relations with Pakistan, which is Beijing's most critical strategic ally in South and Central Asia.

Third, the prospect of large-scale U.S. military interventions against Iran, Iraq, North Korea, and Somalia could also exacerbate United States–China tensions. The Chinese government exalts the concept of state sovereignty above all other principles of international politics. Hence, a decision by the United States to expand its military campaign against terrorism to neighboring states would almost certainly provoke strong Chinese opposition, especially if such U.S. actions were undertaken without U.N. sanction and in the absence of clear and convincing evidence.

Fourth, China is unreasonably sensitive to the reemergence of a militarily assertive Japan that could challenge or counter Beijing's own emergence as a major power in the region. Thus, although China has expressed its understanding of Japan's military support for the United States–led campaign against terrorism in Central Asia, the Chinese leadership expects that such support will remain highly limited in time and scope, as has been indicated by the Japanese government. If the United States and Japan use the antiterrorism campaign to further expand and redefine Japan's military role in Asia, China will undoubtedly seek to actively counter such an action.

The Bush administration needs to be fully aware of the potential damage to China–United States relations and broader U.S. interests that could result from these developments.

### **Rebalancing the Political Strategy**

The long-term objective of U.S. political and economic engagement with China is the emergence of an open society that combines a market economy with democratic institutions. This strategic goal is both consistent with American values and beneficial to American interests. Although the overall trends in the past two decades of market reform point to a gradual opening of the Chinese political system, the pace of political liberalization remains slow and erratic, causing many Americans to doubt whether U.S. engagement with China will yield the benefits of a “kinder, gentler” regime in Beijing.

However, it would be a mistake for the United States to give up on promoting political change in China out of impatience or frustration. Ironically, such a decision would be welcomed by the conservative elements in Beijing who hope to enjoy the fruits of an open economy without giving up their political power. China's size and its traditional resistance to outside interference limit the international community's ability to influence internal political change. Yet the opening of Chinese society and economy to the outside world since the late 1970s has created multiple channels for the West to help advance progress toward a more open political system. Unfortunately, in the past the U.S. government has pursued inconsistent, often counterproductive policies in its efforts to do so.

The most glaring weakness of Washington's political strategy has been an imbalance between its economic engagement and its political efforts. On the economic front, the United States has steadfastly pushed for market reforms, with the implicit goal of using economic liberalization to undermine the political control of China's authoritarian regime. However, this economic strategy has not been accompanied by political initiatives aimed at directly promoting institutional changes or supporting progressive trends within China. Successive U.S. administrations have



been either too focused on economic engagement or hamstrung by congressional opposition. Moreover, many of those who criticize China as the United States's greatest strategic threat are convinced that political initiatives would merely strengthen, rather than liberalize, the current regime.

Instead, Washington has adopted a counterproductive political strategy that threatens to dilute the benefits of its economic engagement. Since the Tiananmen Square tragedy in 1989, the centerpiece of the U.S. political strategy has been threats of sanctions and unrelenting criticism of Chinese policies and practices. Except for the bilateral summitry diplomacy in 1997–1998, few positive inducements for change have been offered.

ture Statue of Liberty was erected in Tiananmen Square in 1989. But in recent years, although the United States has continued to be admired for its economic power and technological innovation, Washington has lost its political appeal among China's younger generation. Worse still, it has more and more become an object of resentment, because official U.S. government policies are widely perceived among ordinary Chinese people—including those quite knowledgeable about American politics—as incomprehensible, hostile, bullying, and even paranoid.

Two impending processes are likely to provide opportunities for the Bush administration to create new initiatives to influence political change in China. First, a new generation of

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The U.S. government has devoted only negligible resources to help build a more open Chinese society. Congress has refused to fund the rule-of-law reform initiatives that were agreed upon by presidents Clinton and Jiang. Most government funds allotted for China-related “democracy promotion” efforts have been given to dissident and international nongovernmental organizations based in the United States, whereas congressional restrictions have made it almost impossible to fund similar activities within China. Washington has fallen far behind other Western governments and U.S. nongovernmental organizations in this area. (For fiscal 2000–2001, the U.S. government spent less than \$5 million on such programs, nearly all of which was for activities outside China; for fiscal 2001–2002, of the \$10 million appropriated, \$8 million was earmarked for activities outside China.)

This abdication of U. S. leadership harms long-term American interests. In the 1980s, the United States was held up by China's younger generation as its model, and a minia-

Chinese leaders will arise in the next two years. In the past, leadership changes of a similar magnitude have ushered in dramatic policy shifts. The new leadership, composed of individuals whose careers were forged in the reform era, will likely be forced to confront the most difficult and acutely sensitive problem facing the regime: the reform of the Chinese political system.

Second, the economic changes mandated by China's recent accession to the WTO will require new alignments of domestic interests as institutional and structural reforms are implemented. The weaknesses of the current political system—especially its ineffective legal system and eroding state capacity—may inhibit the implementation of these reforms. Such a development could force a political realignment. Throughout the 1990s, China's reformist forces decided to push economic reform as a vehicle to transform the political system. They have also staked the future of Chinese economic modernization on accession to the WTO and post-accession reform. The

obstacles posed by the current dysfunctional political system to post-accession reform could compel China's economic reformers—who now control many key positions in the economic bureaucracy—to refocus on political reform.

To take advantage of these historic opportunities, the international community and the U.S. government need to expand and deepen their political engagement with China. A more nuanced policy would require balancing confrontation with engagement. Concrete measures to support the building of an independent and effective legal system, the encouragement of open academic debates, the emergence of self-government among 800 million Chinese rural residents, and the strengthening of legislative bodies will make Washington's call for democracy and the rule of law in China more credible to the Chinese people. These measures will also go a long way toward repudiating the Chinese government's propaganda that the United States does not wish to see a strong and prosperous China.

### Looking Forward

President Bush's "working visit" to Beijing is unlikely to yield dramatic results. But he should be able to convey to his Chinese hosts a clear message that his administration's movement toward a more balanced approach to China is a lasting strategic decision, not just a tactical response to the events of September 11. Moreover, he should take the opportunity afforded by the visit to underscore his personal leadership in forming Washington's China policy and to reaffirm his recognition that enhanced China–United States communication and cooperation are indispensable to the maintenance of a stable, mutually beneficial relationship.

The latter message is likely to be more credible if Bush and Jiang can affirm a set of principles governing bilateral relations and vital interests, as well as initiate specific steps demonstrating their commitment to these principles. First, both leaders should reaffirm United States–China cooperation in combating terrorism. The details of joint antiterrorism activities should be provided to educate the

public in both countries on their vital shared interests and on the extent of the cooperation that is already under way. In addition, both sides should communicate their intention to work closely together to overcome any significant differences that might arise during the campaign against terrorism.

Second, the United States should reiterate its one-China policy and unambiguously state that it will actively oppose any unilateral effort to fundamentally change the status quo, whether toward reunification or independence. At the same time, Washington should reassure Beijing that it would fully support any peaceful, noncoerced solution to the Taiwan situation, including formal reunification. For its part, China should reaffirm its commitment to a peaceful solution of the Taiwan issue and its overall patience in handling the situation. It would also be extremely helpful if the two sides could agree that mutual, verifiable efforts to limit military deployments along the Taiwan Strait would be conducive to a reduction in tension in the long run. Such a joint, high-level recognition of the dangers posed by the existing cross-strait arms race—and the need to develop a common approach to reducing it—is long overdue.

Third, the United States should stress its expectation that China will comply with its WTO requirements but should also express a willingness to work closely with China to overcome post-accession obstacles. In this effort, Washington should indicate that it will exhibit considerable patience as long as Beijing shows signs of concrete progress.

Fourth, the United States and China should enhance their dialogue on security. Washington should seek further clarification from Beijing regarding its stance on the U.S. military presence in East Asia. Recent Chinese statements indicate a more receptive posture. To build confidence on both sides, high-level military-to-military contacts should be restored. Such contacts are essential to reduce misperceptions and strengthen mutual understanding. With regard to nonproliferation, the United States should press China to fulfill its November 2000 agreement with the Clinton administration, in particular by publishing an

export control list for dual-use technologies as soon as possible.

Fifth, President Bush should publicly acknowledge China's concerns regarding ballistic missile defense and clearly reiterate that the U.S. missile defense system is not intended to neutralize China's strategic arsenal. The United States should indicate that it is prepared to work with China to develop a mutually acceptable means of verifying to Beijing the non-threatening nature of any future U.S. missile system. In the area of theater missile defense, President Bush should clearly state that the United States does not intend to use such a missile system to reestablish a security alliance with Taiwan. And he should reaffirm that both the military *and political* implications of any

generation of leaders as they move into power in the next two years. Such an effort would be especially useful because these leaders will lack foreign policy experience, and Washington's reassurance of its commitment to a constructive relationship would increase mutual confidence at a time of heightened uncertainty.

Despite the relatively low expectations for President Bush's visit to Beijing, his trip can provide a strong impetus for long-term improvement in the relationship between China and the United States. However, any follow-on successes will depend on President Bush's ability to build greater long-term cooperation and support among key players, including Congress, the American business community, the military, the human rights

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possible future theater missile sales to Taipei will be fully taken into account.

Sixth, President Bush should regard the promotion of the rule of law and democratic reforms as an essential component of his overall China strategy. He should affirm his support for the rule-of-law initiatives agreed upon by presidents Clinton and Jiang. Because China's WTO entry was a milestone for U.S. efforts to integrate China into the global economy, a new top priority is to commit U.S. political, economic, and intellectual resources to advancing the values, institutions, and practices that are at the core of an open society. The Bush administration should develop bipartisan support and formulate a sustainable strategy. In particular, the administration should significantly expand its current efforts and increase the resources available, and Congress should relax its excessive, counterproductive restrictions on democracy-promotion programs in China.

Seventh, the Bush administration should formulate a plan to reach out to China's new

community, and U.S. allies. Although this has arguably become a more doable task in the post-September 11 world, it still requires a strong leader who recognizes—and can communicate—the high stakes involved in establishing a China policy that more effectively balances deterrence with reassurance, toughness with cooperation, and realism with hope. Only by achieving this balance can the United States help to build a more stable foundation for one of the most important bilateral relationships of the twenty-first century. ■

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## Related Resources

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