



THE LESSONS OF PLAYING TOUGH WITH CHINA

INTRODUCTION

United States policy toward Beijing long was influenced by a perception that momentum must be sustained in U.S.-China relations lest the new relationship with the former adversary founder. Relations with China, it was thought, must keep improving or they would deteriorate.

This reasoning produced policies toward China that were excessively concessionary--even slavish. The State Department seemed ever to cave in to Beijing's demands and to be obsessively solicitous of Beijing's whims. United States China policy thus frequently was criticized for its "made in Beijing" label.

Several months ago this changed and the U.S. started playing tough. From this Washington has learned a surprising lesson: It pays to play tough with Beijing. A number of things account for the shift in U.S. handling of Beijing: 1) new personnel assumed key positions in the State Department; 2) Beijing had grown so used to getting everything it wanted from the U.S. that it began making unreasonable demands; and 3) U.S. officials had reached the end of their rope making concessions to China for which the U.S. received little, if anything, in return.

As a result, the U.S. has taken a tougher stand on six recent issues with Beijing. So doing, Washington has found that China has been asking for more than it expects to receive and is willing to accept less if it must. This confirms what a number of experts long had advised: that the U.S. is as important to China as China is to the U.S. and that the order of issues in U.S.-China relations has been distorted.

The six issues are: the textile trade, the Hu Na "affair," Pan American Airlines' new route to Taiwan, U.S. weapons sales to

Taiwan, Washington's stance on Beijing's effort to expel Taipei from the Asian Development Bank, and China's demand that Taiwan's organizations in Western countries not be allowed to issue visas.

THE TEXTILE DISPUTE

Last year, the U.S. warned Chinese leaders that they should not expect to increase their share of the U.S. market faster than 1.5 to 2 percent per year. China wanted a 6 percent increase. As a result, when negotiations produced nothing and Beijing refused to cut its textile exports, the U.S. applied quotas to thirty-two items imported from China, limiting Beijing's share of the textile market to an even smaller share.

Beijing argued that since China had an unfavorable balance of trade with the U.S., China must be allowed to sell more in the U.S. market in order to balance what it bought from the U.S. This argument does not reflect an understanding of the concept of free trade and a flexible world market and does not respect the U.S. decision to allow a number of developing nations a part in the U.S. market. Washington reasoned that 16 percent unemployment in the U.S. apparel industry justified limiting all major exporters of textiles to the U.S. to between 1 and 2 percent annual growth. Other major exporters to the U.S. had agreed and were abiding by the agreement.

China retaliated by announcing that it would embargo U.S. cotton, synthetic fibers and soybeans--and did. It also cut purchases of U.S. wheat and some other agricultural products. The embargo affected 15 percent of U.S. exports to China worth about \$400 million.

Nevertheless, the move was in large part bluster. Other factors also motivated Chinese leaders. China already had purchased more U.S. cotton and several categories of synthetic fibers than it could use. Soybeans and wheat were available elsewhere cheaper. Meanwhile, Beijing has been purchasing other U.S. goods--in fact, it has increased purchases of U.S. oil drilling equipment, computers and other high tech items. Total trade declined last year, but this can be attributed generally to overbuying, a slowdown in Chinese economic growth, uneven growth among various sectors of the economy and an effort to adjust the balance of payments deficit. In short, China took no extraordinary steps in retaliating against the U.S.

Recently, Beijing has come to an agreement with the U.S. on the textile issue. The agreement constitutes a compromise whereby China will be allowed a 2 to 3 percent increase in textile exports to the U.S. In return, China will resume purchases of American farm products. However, Beijing will remain the fourth largest exporter of textile products to the U.S. Apparently, Chinese leaders still hope to increase their market share at the expense of South Korea, Taiwan and Hong Kong. And Beijing probably will

succeed--but primarily because of lower labor costs, not because of political influence.

HU NA "AFFAIR"

In July 1982, while on tour in the U.S., China's number one ranked woman tennis player, Hu Na, left her group and subsequently asked for political asylum in the U.S., charging that she was being forced to join the Communist Party and feared persecution if she returned to China due to factional struggles which she had been involved in previously. In subsequent months, the case became a cause célèbre and a source of friction in U.S.-China relations.

Due to her top ranking status as a tennis player, the fact that she had been a representative of the nation abroad on numerous occasions and was known to have associated with high Chinese officials (including Vice Premier Wan Li), Beijing pressed the U.S. government to force her to return. Vice Premier Deng Xiaoping, China's top leader, even appealed personally to President Reagan regarding the case.

When Beijing realized that the U.S. State Department would probably grant Hu Na asylum, the Chinese press began accusing the U.S. of "political kidnapping" and even charged that President Reagan was trying to play the role of her "Western daddy." The Chinese press later accused the U.S. government of trying to "shame" the Chinese government, of defaming China and of trying to sabotage U.S.-China relations.

Finally, in retaliation, Beijing cancelled cultural exchanges and sports events with the U.S. for the rest of the year. But this amounted to only 19 groups or events. Scientific and educational exchanges--considered unofficial--were unaffected, as was tourism. Chinese students in the U.S. were not called home. And a new Chinese high official even presented his credentials to President Reagan and formally took his assignment in April during the peak of the controversy.

Beijing clearly miscalculated when it thought that it could threaten the U.S. on the issue. Chinese leaders did not understand that they had support from neither American liberals nor conservatives. When their threats failed, Chinese leaders sought to save face by cancelling a few cultural and sports events of little importance.

PAN AMERICAN'S TAIWAN ROUTE

This spring, Pan American Airlines, which is the only U.S. carrier flying to China, announced that it was opening a Tokyo to Taipei route. On June 14, the flight was inaugurated. Pan Am's decision was based upon the fact that the Tokyo to Beijing leg of its San Francisco to Beijing flights flying at only 30 percent of capacity. In part this was because U.S. trade with

China was down, many American businessmen who had located in China had pulled out and China's official airline was competing fiercely. All Chinese officials, students and others traveling to the U.S., moreover, were forced to use the Chinese carrier. Meanwhile, the Taipei to Tokyo route offered potential profits to Pan American estimated at \$15 to \$20 million annually.

To retaliate, Beijing revoked Pan Am's right to land in the city of Guangzhou in south China in the event of an emergency (Pan American planes can easily land in Kaohsiung in southern Taiwan or Hong Kong), cancelled Pan Am's right to fly over southern China en route to Southeast Asia (which Pan Am was not using), and asked the U.S. to replace Pan American Airlines with another U.S. airline as the authorized U.S. carrier to China.

Washington refused, maintaining that China was interfering in U.S. domestic affairs (an argument often invoked by the Chinese when it suits their purposes). Washington also argued that an official agreement had been signed establishing Pan Am's flights to China. The agreement, according to the U.S. interpretation, required that Washington cancel the flights of China's flag carrier in the event that Pan Am were to be denied landing rights. China's flag carrier has invested heavily in equipment that it could not utilize elsewhere and its busy U.S. route is highly profitable.

As the case now stands, Beijing has imposed only one--almost totally insignificant--measure against Pan American: It cannot overfly south China. Beijing apparently does not want its lucrative routes to the U.S. terminated. The result: Pan American now serves both Chinas--something that State Department careerists and many other China watchers had said would never be tolerated by Beijing. Some argue that this sets a precedent for other companies and may even help foster a two China policy.

U.S. WEAPONS SALES TO TAIWAN

After establishing official diplomatic relations with the People's Republic of China on January 1, 1979, the U.S. Congress enacted the Taiwan Relations Act as the basis of U.S. relations with the Republic of China on Taiwan. Among other things, the Act stated that the U.S. would sell to Taipei weapons sufficient for its defensive needs. Beijing registered a hardly noticed protest at the time and proceeded with haste to improve its ties with Washington. To have protested forcefully probably would have triggered congressional opposition to the U.S.-Beijing normalization. Since then, however, Beijing increasingly has complained in official and private circles about the weapons issue, saying that it is the "main obstacle" to further improvement of relations between the two countries. Beijing has further hinted that U.S. arms sales to Taiwan might prompt Beijing to downgrade relations with the U.S. and to search for a rapprochement with the USSR. Beijing adopted this line, notwithstanding the fact that Mao Zedong, Zhou Enlai and Deng all had stated that the Taiwan issue could be resolved over the long run--a hundred or a thousand years.

During the first two years of the Reagan Administration, Chinese leaders pushed for an agreement with Washington that would terminate U.S. weapons sales to Taiwan or officially recognize Beijing's claim to sovereignty over Taiwan and all territory governed by Taipei. The U.S. has not recognized Beijing's sovereignty over Taiwan; indeed, the Taiwan Relations Act treats Taiwan as a sovereign nation. The Reagan Administration bowed to Beijing's pressure in an August 17, 1982, communiqué with the People's Republic of China, stating that the U.S. would phase out and eventually terminate arms sales to Taiwan contingent upon Beijing's limiting itself to a peaceful solution to the "Taiwan problem."

Washington, however, regarded the communiqué as primarily an effort to smooth over relations between Washington and Beijing vis-à-vis the Taiwan question. Deng's critics were attacking him on the issue, it was argued, and he needed to prove that he was doing something about it. Within days, however, the two sides were presenting very different interpretations of the communiqué. While Beijing was reading it as a guarantee that the U.S. would reduce weapons sales to Taiwan and eventually end them completely with no conditions, Washington saw the communiqué limiting the U.S. only if Beijing agreed to a peaceful settlement of the "Taiwan question," thereby making any weapons sales unnecessary.

Shortly thereafter, the Reagan Administration announced the U.S. would allow Taiwan the opportunity to buy \$800 million in U.S. weapons. The deal did not include the sophisticated fighter aircraft Taipei wanted; but it did restore U.S. weapons sales to Taiwan in an amount that dwarfed the previous two years. Beijing complained, saying that the \$800 million figure was not a phasing out, and refused to accept the concept of increasing the dollar amount of sales to compensate for inflation. The official Chinese press also complained that sensitive bilateral negotiations were in progress between the two countries and that the sales constituted a violation of China's sovereignty. China's official news agency, in fact, declared that "China would never accept this unilateral decision by the U.S."

Yet this all turned out to be just more bluff. Beijing took no actions to downgrade relations with the U.S. and China's charges have amounted to no more than verbal complaints.

TAIPEI'S VISA ISSUING AUTHORITY

This June, Beijing warned the U.S. and other Western nations against allowing "Taiwan's unofficial offices" in their nations to issue visas. The warning also insisted that Western nations not issue visas from their offices in Taiwan. Beijing said that by issuing visas, Taiwan is attempting to establish de facto official relations with these countries so as to "undermine the normal relations between China and these countries."

The American Institute in Taiwan (Washington's diplomatic office in Taipei) grants over 100,000 visas to Republic of China citizens annually. The visas are technically issued in Hong Kong, by telex, but the process is almost as fast as if they were issued on the spot. Taipei issues visas to American citizens through offices of the Coordinating Council of North American Affairs (Taiwan's diplomatic offices in the U.S.) in various cities throughout the U.S.

The U.S. reply to Beijing's warning was that the CCNAA offices were functioning "consistent with their status." State Department legal counsel stated that it had no knowledge of any requirement that consular functions must be performed only by government officials. The State Department thus concluded that the demands of the People's Republic of China would in no way influence U.S.-Taiwan relations.

Japan and other Western nations made similar replies to the notes that they received regarding Taiwan's visa granting authority. Beijing was rebuffed and so far has not acted on the matter. According to State Department officials, no retaliation is expected. The matter probably will merely fade away.

TAIPEI'S MEMBERSHIP IN THE ASIAN DEVELOPMENT BANK

This February, the People's Republic of China requested membership in the Manila-based Asian Development Bank. In its request, it demanded that the Republic of China's membership be cancelled and Taipei expelled from the Bank. Over the years, Beijing had weakened Taipei's diplomatic status at the bank. Now Beijing was attempting to expel Taiwan from one of the few important international bodies to which it still belonged.

The charter of the Asian Development Bank, however, reads differently than those of other international organizations where Beijing has claimed to be the sole representative of China and has successfully kicked out Taipei. The ADB charter states the Bank "shall not be influenced...by the political character of the member concerned." As a result, the Bank is not concerned about the issue of one or two Chinas or of dual representation. Thus while ADB would be willing to admit the People's Republic of China, it would not expel the Republic of China.

Secretary of State George Shultz stated at the time that the U.S. is not going to turn its back on the people of Taiwan. He hinted that the U.S. would withdraw or downgrade its contribution to the ADB were Taipei expelled. This probably would influence Japan to do likewise. Japan is the only other major contributor to the Bank. This month the U.S. House of Representatives passed a bill putting Congress on record in favor of terminating U.S. payment for the Asian Development Bank if Taiwan loses its membership.

Beijing has not responded to either the Shultz statement or the House vote. It seems that the Chinese leaders have shelved the issue temporarily.

CONCLUSION

The tougher new line in U.S.-China policy has not undermined U.S.-China relations as many China watchers and State Department specialists for years claimed that it would. For some time Beijing was getting almost anything it asked for from the U.S. It is hardly surprising that its leaders made demands that in the context of U.S. politics, diplomacy and international law were unreasonable and even ridiculous. In a number of cases, in fact, Chinese officials ignored friends in the U.S. who advised against pushing too far with their demands.

The new rebuffs from the Reagan Administration have not damaged U.S.-China relations. In fact, Beijing probably has more respect for the U.S. than before. Chinese leaders obviously have learned some lessons about U.S. democracy and the workings of the American political system. These lessons probably will be useful in guiding the People's Republic of China's future foreign policy toward Western democracies.

The lesson for the U.S. is that Beijing views the major issues in U.S.-China relations as technology, trade, investment and other kinds of U.S. "aid." Contrary to recent Chinese statements, Taiwan is not an urgent issue. Rather, it was an issue that Deng Xiaoping's opponents tried to use against him. Deng hoped for concessions on Taiwan, as well as on other things, to parry his critics. He apparently assumed that he had a good chance of success in view of the U.S. acceding to China's demands in the past. He was wrong.

Wrong too were those who warned that China would retaliate against a tough U.S. position and even would seek to improve relations with the Soviet Union. Sino-Soviet relations have not improved.

It seems likely that the present less concessionary U.S. stance toward China will foster a more "normal" relationship with the People's Republic of China than past efforts to improve relations by making unilateral concessions. Now the two sides seem aware of mutual disagreements and the fact that they can disagree without destroying the relationship. They also are learning to be sensitive to issues where their national interests are not in accord. At last, Washington and Beijing appear on the road to a more "normal" relationship.

John F. Copper
 Director
 Asian Studies Center