



Background

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GREETING PREMIER ZHAO WITH A BALANCED CHINA POLICY

INTRODUCTION

Chinese Premier Zhao Ziyang visits the United States later this month to confer with President Reagan and other U.S. officials. The visit is an important event and will be closely watched for clues to the future course of U.S.-China relations. The White House will give the visit high visibility and may be tempted to seek the appearance of some breakthrough in U.S.-China relations. President Reagan should resist this since relations with Beijing already are friendly and normal--and lopsided. One likely outcome of the visit will be an agenda for President Reagan's visit to the People's Republic of China in April.

For a while, it seemed that Zhao would not be coming to Washington. Hu Yaobang, Secretary-General of the Chinese Communist Party, had threatened to cancel the visit. This apparently was a face saving move after Congress passed two resolutions stating that Taiwan's future should be decided by its population and that the Republic of China should not be expelled from the Asian Development Bank to accommodate the People's Republic of China. Beijing also seemed displeased by Reagan's reference to Taiwan by its official name--the Republic of China.

Despite some hesitations, China's leaders decided to go ahead with the visit. Perhaps they feel they will be able to coerce the United States into reversing or nullifying the congressional resolutions. Or, more likely, because of the importance of the United States to China's economic development, and particularly since commercial and technology transfer talks have been going their way, they simply decided not to risk a deterioration in relations with the U.S.

The main issues that Zhao will discuss are: (1) commercial ties and technology transfers, (2) relations with the Soviet Union and other foreign policy questions, and (3) Taiwan. Observers are pondering where a breakthrough in relations can be made and

on what issue the U.S. might make a major concessionary announcement when President Reagan visits the People's Republic of China in April. In fact, there is no need for a breakthrough. Relations are friendly and normal and it is enough to continue discussions and clarify points of difference between the two nations.

COMMERCIAL TIES AND TECHNOLOGY TRANSFERS

Through the late 1950s and the 1960s China's economic growth was notably below that of the average Third World nation. Its policy of self-reliance and lack of sources of foreign capital and trading partners were largely responsible for this, not to mention, of course, poor economic planning and lack of incentives. After Beijing established better relations with the U.S. and other capitalist countries, China's economy grew at a markedly faster rate. This was particularly true after Deng Xiaoping returned to power in 1978 and established more free market, capitalist economic growth plans and extensive economic ties with the West. The U.S. government helped by granting most favored nation trading status to China in 1979 and by providing guarantees to private businesses investing in China. Washington also encouraged Japan and other Western countries to invest in China rather than the Soviet Union. And the U.S. helped China by providing capital to various international organizations where China borrowed heavily.

China's present economic growth is sustained by borrowing from Western countries, the United Nations and its affiliate organizations, and other international lending institutions such as the World Bank, which are funded largely by Western countries, and through trade and technology imports from the West. For example, U.S. private investment in China is already in the billions. In 1984-1985 China is expected to borrow around \$2.4 billion from the World Bank, most of it at concessionary rates. The U.S. will probably provide nearly this same amount to the World Bank for low interest loans--or one-fourth of the Bank's funding during this period.

China has likewise benefitted from access to the American market. In fact other friendly Third World nations now complain about tough competition with Beijing in the U.S. market, saying that China is crowding them out because it has equal or better treatment. They also complain of the amount of U.S. private investment in China and Beijing's access to loans of international lending institutions, both of which have had a negative impact on their economic development.

Japan, Hong Kong, the U.S. and the European Economic Community are China's largest trading partners. China buys and sells more to each than it buys and sells to all communist bloc nations combined. The U.S. encourages Japan's trade with China, as well as Japanese investment. Both increased markedly as U.S.-China relations improved, and Japanese investment capital went to China rather than Siberia. The same is true of Common Market commercial relations with China. Hong Kong provides a large market for

China, and 30 to 40 percent of Beijing's foreign exchange. A huge portion of Hong Kong's imports from China is reexported, the U.S. being the chief market. The balance in U.S.-China trade favors Beijing.

Recently Washington granted China greater access to the U.S. market for textile goods, evoking complaints from U.S. manufacturers of market dislocation. This move will exacerbate unemployment in some regions of the U.S.--notably areas that are financially depressed and in an industry where minority employment is high. When this agreement was made there were serious charges that Chinese textile exports were subsidized. There were also complaints made by other Third World countries who were not given equal treatment.

Besides trade aid and investment benefits the U.S. is providing other economic help. U.S. technology will help China solve its energy crisis. Chinese petroleum and natural gas production are now falling and Chinese production will increase only when offshore wells drilled by U.S. and other Western oil companies begin to produce. When Secretary of Defense Caspar Weinberger visited Beijing in September, he announced that 32 more items of technology China wants will be transferred and eleven more on China's list of 65 items would be provided if certain guarantees regarding use were given. Eleven others had been granted before Weinberger's visit. Some of this technology will help strengthen China militarily. Some will help the People's Republic of China develop nuclear energy. China also has benefited from sending some 10,000 students to the U.S., around 80 percent of which are supported by scholarships from American colleges and universities or other institutions or by friends and relations in the U.S. In fact, the value of U.S. government sponsored scholarships given to students from the People's Republic of China exceeds that given to any other country.

The vast amounts of financial "aid" or advantages the U.S. provides the People's Republic of China constitute a highly favorable situation for the present Chinese leadership by facilitating the kind of economic growth that will enable the leadership to remain at the helm. It is not an overstatement to say that the success of China's economic modernization hinges on its U.S. "connection."

Zhao can be expected to ask the U.S. to provide still more economic favors and supply more technology free or at bargain basement rates. This will help Beijing in continuing to sustain its economic growth and help strengthen China militarily. The U.S. will get little in return. U.S. imports from China are not important to America's economic health. The top items are textiles, footwear, rugs, artwork and antiques. The People's Republic of China is not a member of the General Agreement on Tariffs and Trade (GATT) and is not a signatory of international patent and copyright agreements. Thus technology transfers are not protected. Beijing has not signed the nuclear non-proliferation treaty and therefore is not legally prohibited from giving nuclear technology it obtains from the U.S. to other nations.

Similarly, China has provided no credible guarantees that weapons or military technology will not be used against U.S. allies or provided to U.S. enemies.

In short, the U.S. is giving a lot and getting little in return. This is true of its trade. It is true of its technology transfers. It is true of its investment capital that could be used at home and would help generate employment in the U.S., or given to more longstanding, non-Communist American allies or other Third World nations. The U.S. should get something in return.

THE SOVIET UNION AND OTHER FOREIGN POLICY ISSUES

The raison d'etre since 1969 for the U.S. to seek better relations with China has been strategic--related to the growing Soviet military threat in Asia and elsewhere. It was originally perceived that by improving relations with the People's Republic of China the U.S. would be able to reduce outside support for Hanoi's war against South Vietnam. Since U.S.-Beijing relations failed to achieve this, the rationale has been that better relations with China forces the Soviet Union to "tie down" troops and weapons by targetting them on China rather than on the U.S. and Western Europe. In the past five years, closer relations with China also have been seen as advantageous in dealing with Soviet adventures or aggression in Afghanistan, Southeast Asia (through its protégé Vietnam) and Poland.

Indeed, China has helped the United States cope with the massive Soviet military buildup and Soviet adventurism. Beijing has provided the U.S. with intelligence posts in China and has sent arms to Afghan rebels. It has also supplied anti-Vietnamese forces in Kampuchea with weapons and supplies. China has opposed Soviet aggression in other areas throughout the world--to the advantage of American policymakers.

China's value as an ally, however, is vastly overestimated. Beijing, moreover, has opposed many U.S. foreign policy goals. Thus the "China card" must be juxtaposed beside the value of other U.S. allies, especially in Asia, and its usefulness in providing leverage against the Soviet Union.

Regarding the USSR, Soviet troops are committed to the Sino-Soviet border where there are large numbers of Chinese troops. But would these troops otherwise be in Europe? Probably not. Moscow has concerns in the East other than China. To be a naval power it has to build bases in the eastern part of the country. Moscow is also concerned about Japan's military buildup, and maintaining its leverage on the Korean peninsula. And it is fearful of minority problems in the East. Thus, China provides only a part of the reason for Soviet troops moving east.

Playing the "China card" against the Soviet Union, moreover, has not worked very well. It did not allow the U.S. to honorably depart from Vietnam. The Soviet supported and sponsored Vietnamese invasion of Kampuchea occurred immediately after President Jimmy

Carter granted diplomatic recognition to Beijing. The Soviet invasion of Afghanistan occurred at a high point in U.S.-China relations--during a rapid warming of relations following the Carter Administration's decision to establish formal ties and in the immediate wake of a public announcement that Defense Secretary Harold Brown would visit China to discuss common strategic interests. As a result of these events, a number of experts argue that closer U.S.-China relations, rather than cooling Soviet tempers, engenders more aggressiveness on the part of the Kremlin.

Regarding the Soviet invasion of Afghanistan, China has provided little help. Chinese arms aid to Afghan freedom fighters has not been substantial. Beijing expects the U.S. to take the lead because it fears Soviet retaliation. In the case of Kampuchea, China has provided much more arms and equipment to anti-Vietnamese forces; but most of it has gone to the Khmer Rouge. This creates a dilemma for the United States: if the anti-Vietnamese forces win, Pol Pot, having killed somewhere around one-third of his own people in the name of utopian communism, will be back in power. The U.S. cannot tolerate this. American allies will not support U.S. policy if this happens. Yet China's stance toward Vietnam and close Sino-American relations tie the U.S. to such a policy.

Beijing's sincerity in terms of aligning with the U.S. against the Soviet Union can also be questioned. Since 1981, and formally since the 12th Communist Party Congress in China, Beijing has adopted a neutral stance or "independent line" foreign policy. It has referred to both the U.S. and the Soviet Union as "hegemonist" and "imperialists." Similarly, China has not increased its military spending (defense budgets were cut in 1980 and 1981) when it might have bolstered its defense role in support of U.S. efforts to meet the Soviet challenge in Asia. More recently Beijing has engaged in negotiations with the Kremlin at a time when Washington needs more leverage against Moscow.

Elsewhere there are now more areas (and crises) where the U.S. and the People's Republic of China are not on the same side. Beijing refused to support U.S. policy when the Soviet Union clamped down on Polish attempts at gaining greater liberty--fearing that support for Solidarity would create labor activism and problems at home. Chinese leaders have not supported U.S. policy toward South and Central America--criticizing U.S. operations in Grenada and U.S. policy toward El Salvador and Nicaragua (Beijing, in fact, recently called U.S. military exercises in the area a "serious act of military intimidation"). The People's Republic of China has supported Iran in recent months--with massive military aid, including sophisticated aircraft, sent through North Korea--in spite of grave U.S. differences with that government, Tehran's involvement in killing U.S. Marines in Lebanon and its threat to Western oil supplies.

Beijing abstained on a U.S.-proposed resolution in the United Nations condemning the Soviet Union for shooting down Korean Airlines Flight 007, killing 269 passengers. And the People's Republic of China seems to have little leverage over North Korea--even though it has frequently argued that this is

helpful to the U.S.: Chinese leaders did not prevent the killing of 17 South Korean officials in Rangoon in October. Finally, Beijing's negotiating position vis-a-vis Hong Kong seems to ignore U.S. business investment and interests there.

Japan and several other Asian allies do not approve of the U.S. strategic reliance upon China and U.S. promises to give Beijing sophisticated military (or dual use) technology. Most oppose U.S. military assistance to China. They do not trust the People's Republic of China and do not want to be drawn into an alliance or alignment with Beijing through the United States.

THE "TAIWAN QUESTION"

Prior to January 1, 1979, the U.S. had formal diplomatic ties with the Republic of China on Taiwan. Also in force was a mutual defense treaty between the U.S. and the Republic of China. Both were nullified as a result of negotiations between the Carter Administration and Beijing that culminated in an agreement to establish formal diplomatic relations. The timing of the announcement suggests that President Carter intentionally sought to exclude Congress from the decision making process: Congress was in recess at the time. By announcing the move just before Christmas, moreover, Carter tried to avoid public attention.

When Congress reconvened, it was furious that the Republic of China had been sacrificed. To reverse this, both Houses of Congress by an overwhelming vote in April 1979 passed the Taiwan Relations Act. Congress clearly felt that Carter had treated dreadfully a loyal friend, ally, and an important trading partner by changing the Republic of China's status into something less than a sovereign nation-state, while exposing the populace of Taiwan to the danger of invasion. Congress thus moved to restore Taipei's legal status and provide it with a guaranteed supply of weapons and U.S. support in the event of the use of boycott or embargo against it.

At the time the Taiwan Relations Act was enacted, Beijing protested--though not loudly for fear of endangering its relationship with Washington. Since then it has tried in a variety of both subtle and direct ways to dilute, nullify or discredit the Act. It has continuously refused to repudiate the use of force to resolve the "Taiwan question" even though this was the essence of the understanding leading to U.S. recognition of Beijing and was part of a communique signed in August 1982. In fact, it seems clearly Beijing's intention to prevent Taipei from obtaining weapons so as to weaken the Republic of China militarily, or better yet force Taipei to negotiate from a position of fear and weakness and in violation of the wishes of its government and its citizens.

Meanwhile two national elections and several local elections have been held in Taiwan. Political participation has increased and democratization has proceeded at a rapid rate. The human and civil rights record of the government has improved markedly and

social and economic welfare have witnessed dramatic progress. It is now evident that the population of Taiwan supports the government of the Republic of China and opposes--probably near unanimously--being incorporated into or ruled by the People's Republic of China.

Until the government of the Republic of China and the majority of its citizens decide to seek incorporation with the People's Republic of China, the U.S. cannot but treat the Republic of China as a sovereign nation-state and refuse to negotiate concerning its future. Doing otherwise would undermine America's support for democracy throughout the world.

Pressuring Taipei to negotiate against its will would also violate international law (especially the Atlantic Charter and the Charter of the United Nations), and almost any standard of international morality. An invasion or embargo of Taiwan by the People's Republic of China would be disastrous. An invasion would result in the loss of life probably in the range of one to two million, assuming Beijing does not use nuclear weapons. An embargo would result in millions fleeing. If either were successful millions more would have to be forcibly relocated somewhere in China, probably in the interior and probably scattered from their friends and relatives, so as to facilitate political control.

This being the case, the U.S. must regard the "Taiwan question" as non-negotiable. Nor can it simply say that it is a question for the Chinese to decide; Taiwan has already decided that it does not want to be incorporated. The Republic of China wants to remain a sovereign nation-state as it is now. U.S. negotiators should recognize this reality.

CONCLUSION

The U.S.-People's Republic of China relationship is largely lopsided: more beneficial to Beijing than to the U.S. This is especially true in the area of commercial ties and technology transfers. In the realm of strategic interests China is of only marginal value to the U.S. in coping with the Soviet threat, and presents a number of disadvantages in dealing with America's traditional Asian allies and in maintaining an important alliance with Japan. Finally, the U.S. cannot negotiate with Beijing regarding Taiwan; there is simply nothing to negotiate other than getting a promise from Beijing concerning a peaceful settlement.

America's long term friends and allies are free market, democratic nations, or evolving rapidly in these directions. They do not have communist economic and political systems. Though the People's Republic of China had been moving modestly in the direction of a more free market, capitalist system, Chinese leaders have given no indication that state control will diminish or that China's political system will change. The People's Republic of China, in fact, is now regressing in terms of democracy. The ruling Communist Party, for example, has recently launched a nationwide campaign to expunge Western "decadence" and "spiritual

pollution." Progress in terms of individual liberties and democracy in the last several years has been in reverse.

China has had five constitutions in thirty years and its domestic political line and foreign policy have changed more often than that. Its present leadership faces serious internal opposition to its policies, and due to its age probably cannot last very long. A succession that will preserve present policies is not at all certain.

An alternative to a policy of aligning with the People's Republic of China is a "Japan first" policy. Japan, since World War II, has been America's most important Asian ally. Many say it is currently Washington's most important ally anywhere. Yet Japan opposes such a close U.S.-China relationship, especially in the military realm. And pursuing an equal relationship with the People's Republic of China and Japan is not possible for a variety of reasons. It has never worked in the past. The pressures influencing U.S. foreign policy decision making, not to mention bureaucratic constraints, makes favoring one or the other inevitable.

If the U.S. is to continue good relations with most of the nations of Asia it can be best accomplished through a Pacific Community. But this probably cannot include the People's Republic of China--whose economic and political systems put it at odds with many of the non-communist nations of the region.

America's position should be conveyed to Premier Zhao when he is in the U.S. President Reagan should make it clear to Zhao that the U.S. needs guarantees regarding the use of American technology transfers to the People's Republic of China, that Beijing cannot play the American or Soviet "card" and that Taiwan is a non-negotiable issue. It must be explained that the Taiwan Relations Act is the legal basis of U.S.-China policy and that "steadily improving relations" with the People's Republic of China (or with any nation) is not possible. This would be honest and candid and would be a statement of a realistic China policy. Such realism is the best basis for a balanced, healthy and long-lasting U.S.-People's Republic of China relationship.

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