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China: Friend or Enemy?

By Hon. Barbara Hackman Franklin



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By the Honorable Barbara Hackman Franklin

China has always held a special fascination for Westerners. This vast, populous country is thought by many to have the oldest culture on Earth. Certainly it was the center of Eastern civilization. China was already a sophisticated society when Marco Polo traveled there in the 14th century, bringing back such treasures as silk, tea, spices, noodles, fireworks, exquisite porcelain, jade, and wood block printing.

But our captivation with China has not translated into a smooth and predictable relationship over the past few centuries. To us, China has been alternately open, then closed, and then reopened again. The result is that we Americans do not understand China very well—its ancient roots, its history, its people, its way of life, political structure, or place in today's world. Nor do the Chinese understand us. To them, the West has seemed imperialistic and exploitive, caught up with colonial designs on their territory and disrespectful of China as a great nation.

But it is imperative—even urgent—that we learn to understand each other better. I believe the U.S.-China relationship is one of the most important—perhaps the most important—of all the bilateral strategic relationships in the world today and that we have reached a defining moment in that relationship.

CHINA'S PLACE IN THE WORLD TODAY

Today, China is a country in transition. Much change is occurring, and it is occurring at a phenomenal pace.

This was brought home to me forcefully when President Bush sent me to China in December of 1992 to normalize commercial relations that had been disrupted with the imposition of sanctions on China after the crackdown at Tiananmen Square on June 4, 1989. I was the first Cabinet Secretary to visit the country officially since that sad day, and my mission removed one of the sanctions—the one prohibiting ministerial contacts between our two governments. Together, my then counterpart, Minister of Foreign Economics and Trade Li Lanqing (now Vice Premier), and I reconvened the nearly moribund Joint Commission on Commerce and Trade. In addition, \$1 billion worth of new contracts for U.S. companies were signed, and much additional business followed.

During this trip, I saw firsthand the hunger of the Chinese for prosperity, their intense desire to move quickly into the ranks of the world's strongest economies, and the fervor with which they were applying themselves to achieving this goal. Since that trip in December of 1992, I have been back to China regularly. Each time, I am struck again by the rapid progress the Chinese are making toward this objective.

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THE U.S.-CHINA RELATIONSHIP

Our relationship with China is anchored on three communiqués, signed between 1972 and 1982, and the Taiwan Relations Act that was passed in 1979. The 1972 communiqué—the Shanghai Communiqué—was agreed to by President Richard Nixon and Chairman Mao Zedong. This was when the “one China” policy was first articulated. It has been the bedrock of the United States’ diplomatic posture toward China ever since.

Currently, the relationship between our two governments is at the lowest point it has been in many years. It is characterized by distrust and misunderstanding on both sides. Let’s just review what has happened since the Clinton Administration took over management of this critical relationship.

After charging President Bush with “coddling dictators” during the 1992 campaign, candidate Clinton changed his tune once he became President. Following an entertaining spectacle of dithering and public hand-wringing of the sort that has characterized this Administration, President Clinton adopted the very same “engagement” policy espoused by President Bush. Funny how one’s perspective changes after one becomes the leader of the free world, isn’t it?

The problem with President Clinton’s change of heart and new policy began when the Administration didn’t follow it. Three years later, the policy has become so muddled by ad hoc decisions and inconsistent actions that it is hard to ascertain what it is. And because of the mixed signals sent by Clinton and his Cabinet, many Chinese now have come to believe that our policy is the “containment” of China—an idea they deeply resent.

The big turnaround on President Clinton’s part occurred during the 1994 annual battle over renewing most-favored-nation (MFN) status for China. The President announced that he would certify MFN renewal without the conditions regarding human rights that he had attached the preceding year. His decision was correct on the merits; trade and human rights should not be linked. Punishing trade does nothing to correct human rights abuses. But because the Administration made this decision unilaterally, without first gaining concessions on other trade issues from the Chinese, the policy change actually created confusion and caused the Chinese to think they had “won,” that the Clinton Administration had backed down in the face of business pressure, and that they did not have to do anything else to satisfy the U.S. on trade. In fact, the Administration did give China a big victory—and got nothing in return.

Currently, from the Chinese perspective, the greatest obstacle to improving relations between our two countries probably is the question of Taiwan. One of the biggest flaps over this issue was sparked by something that to many here seemed rather unimportant—the granting of a visa to Lee Teng-hui, the President of Taiwan, in June of last year so that he could attend a reunion at Cornell University.

Again, this situation was badly handled. After promises had been made to China that such a visa would not be issued, President Clinton apparently changed his mind (what a surprise). He reversed this decision, thus pulling the rug out from under his own Secretary of State, who had made assurances to his counterpart, China’s Foreign Minister Qian Qichen, that the visa would not be granted. Needless to say, Beijing reacted angrily and promptly recalled its ambassador. The decision to allow President Lee to visit the U.S. was interpreted by the Chinese as a violation of the spirit of the “one China” policy, and therefore an infringement on Chinese sovereignty. Sovereignty is a gut issue with the Chinese and has been ever since the “one China” policy was first articulated.

Another strain on the relationship was added earlier this year. Our country was incensed at the saber-rattling missile exercises and military maneuvers the Chinese government carried out in the Taiwan Straits prior to the Taiwan elections. In response, the U.S. sent aircraft carriers to the region. Now, in the aftermath of the Taiwan election, tensions have been lowered, but some here in the United States are still distrustful of China's intentions toward Taiwan.

Countless other examples could be cited to illustrate the inconsistency of U.S. policy, the mixed signals, and the escalating tensions which have characterized the Clinton Administration approach toward China. And although the two presidents have met on more than one occasion, they have not established anything that resembles a personal or a working relationship.

RENEWAL OF MOST-FAVORED-NATION TRADING STATUS—AGAIN

And now here we are again, debating the subject of most-favored-nation (MFN) renewal for China one more time. The annual discussion is under the Jackson-Vanik Amendment to the Trade Act of 1974. The amendment denies MFN to any "non-market" economy which restricts free emigration unless the President makes the determination to waive the restrictions. This amendment was aimed originally at the USSR during the Cold War era. But in recent years, since Tiananmen Square, the annual MFN debate has become the vehicle through which a variety of discontents with China have been raised. This year is no different, except that the number of issues with China has increased.

The President has certified to Congress his desire to renew MFN without conditions. Senator Dole, the presumed Republican presidential nominee, has stated his strong pro-MFN position. The Republican leadership in Congress agrees. Now the action is with Congress, which has 60 days to debate and vote. Congress should concur with renewing MFN for China. Denying it or attaching unrelated conditions makes no sense.

- ✗ First, the economic consequences would be profound. Denial of MFN would impede trade, raise tariffs, and make it more costly to do business in China. At least 170,000 U.S. manufacturing jobs were directly dependent on U.S. exports to China last year, and thousands of others in such areas as transportation and finance are indirectly linked. Denying MFN would slow China's reform progress as well.
- ✗ Second, such action would send a negative message to the Asia-Pacific region, a place where some countries already are concerned that the United States is planning to withdraw despite the fact that our presence is viewed as critical to ensuring stability in that part of the world.
- ✗ Third, denial of MFN to China would harm the economies of Hong Kong and Taiwan, the two largest investors in the mainland—and both places in which we have a considerable stake.
- ✗ Finally, denial of MFN will not correct or erase any of the concerns we have with China, whether they be human rights, nuclear proliferation, anti-Taiwan saber-rattling, or something else. Seeking to punish China through this vehicle simply does not serve our national interest.

Furthermore, I think the time has come, before MFN renewal comes up again next year, to make MFN for China permanent. After all, we accord permanent MFN status to most other countries, including some considered rogue states, such as Iraq and Libya. Our strategic and economic relationship with the world's most populous country is too important to

continue engaging in an annual mud-wrestling event around this issue. Doing this means changing or repealing the Jackson-Vanik Amendment, an action that should be high on the agenda of the President and Congress next year.

CHALLENGES

There are challenges to getting this done. Many people have serious and very real concerns about China.

First, the issue of human rights, which has cropped up every year since the crackdown at Tiananmen Square, raises everyone's sympathy and creates outrage among all of us who value personal liberty and freedom. All of us flinch at the reports about the detention of some dissidents, Chinese methods of population control, and allegedly poor treatment of children at orphanages. Needless to say, we disagree with the way in which China deals with many of these matters, but using trade as a weapon to try to force the Chinese into adopting more respect for human rights is not the way to make progress.

Second, nuclear proliferation looms as a major worry. Intelligence reports over the past few years—some apparently substantiated, some not—indicate that China has shipped missile technology and parts to Pakistan and Iran. Most recently, allegations that China shipped ring magnets to Pakistan caused some people to claim that China had violated the Nuclear Non-Proliferation Act of 1994. This act calls for mandatory sanctions once a finding of violation has been made. Specifically, this means that the U.S. Export-Import Bank could not make or guarantee any loans for projects in China. The Administration recently declined to make such a finding, in exchange for China's assurance that it would strictly observe its obligations under the Treaty on Non-Proliferation of Nuclear Weapons.

Once again, using trade as a weapon to address these concerns will not eliminate the problems. In addition, we have to question whether this sort of law punishes U.S. exports, and therefore U.S. jobs and well-being, more than it punishes the offending nation. This is a law which ought to be revised in the next Congress as well.

Third is the issue of intellectual property rights. A trade war was just averted on Monday by an 11th-hour finding by acting U.S. Trade Representative Charlene Barshefsky that China had made substantial progress in complying with a 1995 agreement to protect intellectual property rights. The Administration had threatened sanctions if the Chinese did not take concrete steps to enforce the agreement; the Chinese had threatened to retaliate. So the good news is that we found that China had closed 15 factories that had been producing 30 to 50 million pirated CDs and videos yearly, shuttered six distribution centers, and instituted a ban on the importation of equipment needed to produce these products. The bad news is that this action does not solve the problem. It is a step in the right direction, but it is just a step and an incremental one at that. We are going to have to keep consistent pressure on the Chinese to continue making progress on the matter of safeguarding intellectual property rights until the rule of law is firmly established in China.

Fourth is another commercial dispute—our mounting trade deficit with China. The deficit, growing at nearly 20 percent annually in recent years, could reach nearly \$40 billion this year. The worry is that China's market is still too closed and that U.S. jobs are disappearing to places around the world, like China, where labor is much cheaper.

Fifth is the question of Taiwan. Some Taiwan advocates want to punish China for the recent saber-rattling and for other things. Despite this—maybe even because of it—President Lee Teng-hui won handily, making Taiwan a shining example of economic freedom leading to political freedom. The United States does indeed have commitments to

Taiwan, and we should honor them. But we need to be careful not to overstep and involve ourselves in the Beijing-Taipei debate when we have no reason to be there. It should be noted that the Independence Party candidate garnered barely 20 percent of the vote in the March election.

Then there is Hong Kong, which reverts to China on June 30 next year. How Beijing handles this situation will be viewed by many as a precursor to the way in which reunification with Taiwan, if it is to occur, would be handled. Already Beijing is making many people uneasy with such actions as announcing its intention to close down the Hong Kong Legislative Council and replace it with another body and issuing confusing statements about its intentions to respect freedom of the press in Hong Kong.

Finally, another strategic concern is the intentions of China's military. Some people also worry that U.S. products now sold in China could be diverted for military uses.

Finding ways to deal with all of these very tough issues in a constructive manner is the challenge before us today.

One interesting obstacle to getting this done is posed by the fact that the majority of the American people are viewing China through an old stereotype. They either envision a Stalinist-type police state or think of peasants and water buffalo in rice paddies. Part of the challenge for those in China—and I believe there are many—who want to have a better relationship with the United States is to make Americans understand how China is changing and what the Chinese people want in their future.

THE FUTURE

So where do we want our relationship with China to go from here?

Currently, the U.S. policy—or, more accurately, non-policy—is fraught with inconsistencies. This has led to confusion on the part of the Chinese about what we really mean. They, in turn, often behave in ways that we have difficulty understanding, and seem sometimes to be both arrogant and paranoid.

The business relationships, however, between the two countries are much more cordial and productive. That is good and it is hopeful.

However, the tension in the governmental relationship can and does negatively affect some commercial activity. Every time tensions increase, there are large projects which are held up. Some contracts U.S. firms hope to get go to other countries. The approval of licenses and branches, particularly in the financial services area, has slowed. All of this creates a climate of uncertainty and heightens the risk for American businesses.

There is one clear example of where Administration policy, which some think politically motivated in this election year, has hurt U.S. business prospects: the enormous Three Gorges Dam project, which the Chinese have been talking about for 50 years. Administration objections to this project on environmental grounds have caused the Export-Import Bank to announce that it will not help finance U.S. companies bidding on the project.

None of this helps our overall relationship with China. Therefore, it is incumbent upon the Administration to get its act together and make every effort to improve the bilateral relationship. The President and the executive branch must do it. Congress has a say, but Congress is not empowered or equipped to manage foreign relations day to day.

Engagement with China is the right policy. But the policy must be more than just words. Consistent actions speak far louder than words.

What we urgently need is a strategic framework for our relationship. This does not mean that we are going to be soft on China. It does mean that we have to define a clear set of goals, objectives, and expectations for our relationship and clearly articulate this to the Chinese. And they must have the opportunity to do the same. This is what has been missing from our relationship for the past three-and-a-half years. We must have a meaningful dialogue at the highest levels in order to push for what we want to achieve.

In putting this framework in place, we should concentrate first on areas where we have common interests and some agreement. The commercial sector is a good place to start.

Currently, thousands of U.S. companies are doing business in China. That number has increased significantly between my mission in 1992 and now. U.S. companies have about \$26 billion invested in China, making the United States the third-largest investor after Hong Kong and Taiwan. Eighty percent of this investment was made since 1992. And, of course, the U.S. has considerable investment in Hong Kong as well—\$12 billion at last count. In fact, the American Chamber of Commerce in Hong Kong is the largest AmCham in the world.

The U.S. needs to work with the Chinese to bring about increased market access; to enforce intellectual property rights—a crucial issue for us; to reduce the overemphasis the Chinese government currently places on technology transfer and exporting by investor companies; and to help bring about a consistent rule of law.

The U.S. also needs to work with China to bring that country into the World Trade Organization (WTO) on reasonable terms. We need to help find a way around the current impasse: that China claims to be a developing country while we maintain she is not because of the clout associated with her sheer size. It is in our interest to have China join the WTO, on acceptable terms; that way, we could pursue our trade agenda multilaterally and would have added support for getting China to conform to the rules governing world trade.

Let me digress a moment and comment further on that. I think the Clinton Administration generally has been too unilateral in its approach to trade and often has been too knee-jerk confrontational in its style—a style which has not achieved results commensurate with its bluster. I suggest that we change our approach to trade negotiating. We should concentrate on a desired objective and then decide which tools and which negotiating style will best achieve the results we want. Talking tough to win political points at home is hardly a rational trade policy.

I also believe that the Chinese want a peaceful, stable world. Their primary objective right now is to industrialize and spread prosperity throughout their land. Wars and conflicts divert resources from this objective. Here is another area where I believe there is room for us to work with the Chinese, on non-proliferation concerns as well as on other strategic issues.

For other matters about which we have had disagreements in the past, we could look for items where we have a common interest and where we could agree. In those places where we cannot agree, we should still maintain a dialogue and make every effort to manage these problems.

Some predict the U.S. and China will become enemies over time. This is, of course, possible. But if it occurs, and I hope it does not, let us hope our policies—or lack thereof—do not contribute to such an outcome. Instead, our vision of the U.S.-China relationship ought to be rooted in making allies and friends of the Chinese. Withdrawing or doing nothing is simply not an option. An American presence is critical to maintaining a balance in Asia.

Thus, the United States must remain engaged, both militarily and economically, in that part of the world.

We must keep in mind, too, that many in China are concerned about the deteriorating relationship with the U.S. Despite what we might think some days, the Chinese people admire America. They covet our products and much about our way of life. This is underscored by the fact that so many of them want to come here and send their children here to school.

Much work needs to be done to repair the U.S.-China relationship. The best way to promote progress is to stay engaged, to encourage China's economic reform and integration into the world community. To do this, we need to exercise the best diplomatic judgment and skills, to disagree with the Chinese when we must, be tough-minded when necessary, but do so in the context of fostering an important friendship. We need to encourage, cajole, and coax the Chinese forward instead of blustering, threatening, and shouting at them in public as the Clinton Administration has been doing. Above all, we need to treat our Chinese friends as we would any other friends: with dignity and fairness.

The road will not be easy. The Chinese, caught up in the process of great change, at times will be difficult. They will do things we do not agree with. We need to handle these matters in the context of our broader objective.

China has made astonishing progress in the past 17 years. If that progress toward economic reforms, prosperity, and a general opening up of the country continues for the next 17 years, China will indeed be perceived as a great power. The American people need to learn this. They must become better educated and more aware of what is going on in China today.

We cannot turn our back on the possibility of helping free markets and democracy along in China. If we are short-sighted and fail to adopt a long-term vision about our relationship, if we continue our current schizophrenic approach to China policy, who knows what direction change could take? The U.S. and the world cannot afford to take this risk.