The China Challenge and the U.S. Response

by Casimir A. Yost

Twice since World War II, the United States has fought bloody wars in Asia in which China was directly or indirectly our adversary. Over 100,000 Americans died in Korea and Vietnam. From the early 1970s to the late 1980s, Sino-American relations improved steadily in response to a common Soviet threat. However, the end of the Cold War removed this threat, and the brutal Chinese suppression of demonstrators at Tiananmen Square in 1989 seriously set back the relationship.

Nonetheless, the imperative “to get Sino-American relations right” remains. The United States is the world’s sole superpower. China is an emerging power in a region of vital importance to the United States. Each has the capacity to adversely affect the interests of the other. Regrettably, leaders in Beijing and in Washington are responding—in their mutual dealings—to domestic imperatives and pressures rather than pursuing strategic objectives. Both are investing valuable political capital in relatively secondary issues. Two anticipated summit meetings over the next year between Presidents Clinton of the United States and Jiang Zemin of China offer the opportunity to restructure and rebuild Sino-American relations.

This report examines the domestic factors affecting policymaking in Washington and Beijing. It assesses the challenges posed for the United States by an “emerging” or “rising” China, and it offers policy recommendations toward China designed to further U.S. interests.

U.S. Constraints

A recent study, The Partnership Imperative: Maintaining American Leadership in a New Era, argues, “Seven years after the fall of the Berlin Wall, U.S. foreign policy remains, for the most part, a piecemeal construct.” This is particularly true regarding our relations with China.

President Bush was unable to command strong national support for his policies toward China after 1989. He was, for example, widely criticized for secretly sending high-level envoys to Beijing shortly after the Tiananmen Square killings.

Candidate Clinton warned in 1992 of the dangers of dealing with the “Butchers of Beijing.” In his first year as President, he sought unsuccessfully to link renewal of most-favored-nation treatment (MFN) for China to concrete moves on human rights. Almost four years later, the Clinton Administration began to enunciate a new, more coherent approach toward China. Warren Christopher, then-Secretary of State, started the process in 1996, and Samuel Berger, Assistant to the President for National Security Affairs, continued it with a June 6, 1997, speech calling for a strategic dialogue with China, arguing that the relationship should not be “defined by any one issue—positive or negative.”

Americans cannot decide whether candidate Clinton, President Clinton (in his second term), or neither is right about China. What most experts concede is that the United States lacks a settled, coherent, and purposeful policy toward Beijing.
There remains a schizophrenic quality to Clinton’s China policy that continues to confuse both Americans and Chinese. On the one hand, Secretary Christopher spoke last year of supporting “China’s development as a secure, open and successful nation that is taking its place as a world leader.” In pursuit of this vision, the administration is engaged in a broad range of discussions with Chinese leaders on an array of issues from arms control to trade. On the other hand, last April, John Shattuck, Assistant Secretary of State for Democracy, Human Rights, and Labor, lashed out at Beijing in Geneva, saying, “China’s government continues to commit widespread well documented human rights violations, to severely restrict fundamental freedoms of speech, the press, assembly, association and religion, in violation of internationally established norms.” This public criticism of China and its leaders is echoed throughout the executive branch, the Congress, and the U.S. media.

In another context, New York Times columnist Tom Friedman asks the question, “Do you want to make a point or do you want to make a difference?” There is much about U.S. policy toward China that seems to entail pursuing the former, not the latter. There is, for example, the continuing U.S. effort to pass a resolution criticizing China’s human rights record at the annual meeting of the UN Human Rights Commission in Geneva. This resolution has never succeeded, and the United States has become increasingly isolated in seeking to censure China this way. Since the early 1990s, the European Union has introduced the resolution, with the United States joining as a cosponsor. This year, however, the EU broke ranks and declined. Although the United States was successful in persuading Denmark to introduce the resolution, the motion was doomed. It not only failed to pass, it did not even reach the floor for a vote.

To take another example, the United States continues to maintain some sanctions imposed after 1989. These “Tiananmen” sanctions require, for example, that U.S. representatives oppose certain multilateral development bank loans to China. According to the Congressional Research Service, the United States abstained, objected, or voted no 160 times on China projects between November 1990 and December 1995. In every case, the development loan went ahead.

Unfortunately, the Clinton Administration seems incapable of building a strong base of support for a policy of engagement. The early promises of the President’s second term have wilted in the face of fundraising scandals with alleged Chinese characteristics. The administration seems to be constantly engaged in explaining and defending its China policies at home rather than in pressing a clearly articulated set of priorities toward China. In fact, in the absence of strong, personal direction from the President, Sino-U.S. relations have become a political football. A coalition of conservative Republicans and liberal Democrats has formed in opposition to administration policies. Beyond the Beltway, constituencies from labor union activists to members of the Christian Right have joined in criticism of China and the President. We are once again in an era when those most knowledgeable about China are accused of being apologists for China’s leadership.

U.S. domestic politics are driving our leaders toward policies that isolate and marginalize the United States in Asia. There is little support among our Asian allies for U.S. public criticisms of China’s internal policies. There is certainly no support for some of the more extreme positions being proposed by the U.S. political right and left.

Americans face a fundamental question: Are we capable of making and sustaining a strategic approach to Sino-U.S. relations that can command broad national support and serve our interests? Can we live with a China that, for the foreseeable future, will be both authoritarian and undergoing significant change? These questions remain unanswered.

**Chinese Constraints**

A popular image of China in the United States is of an increasingly powerful nation run by the threat of brute force and police coercion. The more accurate picture is of a China where a central collective leadership must rule by consensus. Real power is increasingly being diffused throughout the country. Ultimate police authority remains with a few men, but their survival and, indeed, the stability of the nation depend far more on economic growth than on the power of the gun. Because continuation of growth cannot be guaranteed, China’s leaders are focused on meeting that challenge.

Never before in human history has there been a single polity of 1.3 billion
people. China is the world’s single largest experiment in nation-building. China and the United States have roughly the same size territory, but China has over four times America’s population.

China has no extended experience with collective leadership. Yet, with the passing of the Long March generation of leaders, no individual has undisputed stature in the nation and strong ties to the party, military, and bureaucracy. The task of China’s leaders is complicated by virtue of the fact that many Chinese view communist ideology as irrelevant to their daily lives.

Nonetheless, the pace of change in China has been dramatic in the last twenty years; economic progress since 1979 has been remarkable. According to the World Bank, the number of poor in China is less than half of what it was two decades ago. Morton Abramowitz, former President of the Carnegie Endowment, is right: “Never has a country bettered the lives of so many people in such a short time.” The dilemma, of course, is that popular expectations of continued improvement are high—while the political and economic power of the central government is weakening.

While coercive power remains with the leadership, economic power is moving beyond Beijing to provincial leaders and entrepreneurs. For them, “Heaven is high, but the emperor is far away.” The central government’s revenue base has declined dramatically relative to gross domestic product (GDP). According to the World Bank, in 1978 government revenue (at all levels) was 32 percent of GDP. By 1995, it was 10.7 percent, compared to an average of 47 percent for industrialized countries and 31 percent for developing countries. This trend may be reversing, but insufficient government revenue to address significant domestic challenges remains an important constraint.

The central government faces other problems that must be confronted if growth is to be maintained. Some do not require vast expenditures. Growing corruption at all levels is a troubling challenge. Partly to meet it, China is gradually making the transition from a “rule of man” to a “rule of law.” Important legal reforms are being undertaken. However, authoritarian restrictions are being relaxed faster than a rules-based legal system can be put in place.

Other challenges have no immediate remedies. China adds ten-to-sixteen million people a year to its population, or more than 100-million new citizens per decade. The pressures placed on food supplies, energy requirements, and the environment by this growing population are enormous.

Some challenges will require vast expenditures and are politically highly sensitive. Chinese state-owned industries (SOEs) employ two-thirds of the urban workforce, are largely unprofitable, and are sucking up resources, yet privatization does not offer an easy fix. SOEs employ in excess of 100-million workers who rely on their jobs for their complete life support. China has no social safety net for these workers to fall back on if they are let go. Complicating any solution is that these SOEs are being financed by bank loans, and as a result, China’s banking sector is dangerously overexposed.

All of these domestic pressures drive Chinese leaders to seemingly contradictory policies. On the one hand, President Jiang Zemin has announced his intention to tackle the SOE problem directly. China also continues to open its economy to foreign investment and influences. (That there are today roughly 40,000 Chinese studying in the United States is indicative of China’s determination to change.) Beijing is also pursuing an active policy of joining or seeking to join international organizations and regimes from Asia-Pacific Economic Cooperation (APEC) to the World Trade Organization (WTO). China is improving relations with its neighbors, including Russia, India, and Vietnam, with whom it has clashed in the past. On the other hand, Chinese leaders continue to resort to nationalist posturing and to regular references to past humiliations of China by Japan and the West. Moreover, Chinese probing moves in the South China Sea and missile tests last year near Taiwan raise legitimate fears in the region about China’s long-term goals.

Sino-U.S. relations remain a fundamental challenge for Beijing. Chinese leaders understand the critical importance of good relations with the United States for China’s continued economic development. At the same time, many Chinese are deeply suspicious of what they view as U.S. efforts to contain or restrain China’s rise. They see Washington as the main impediment to reunification with Taiwan.

To conclude, a fundamental question remains: Can China make the transition from the closed, isolated, and repressive state of the pre-1979 period to a fully open, politically stable, and broadly engaged

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“Our China agenda is overloaded. Because everything is important, nothing is vital. . . . there is no consensus on the nature of the Chinese challenge to American interests in Asia.”

Conundrums

China’s rising power poses difficult policy choices for the United States. Most Americans would not favor a chaotic, disintegrating China. Most would like to see a prosperous China firmly and peacefully imbedded in the region, playing a positive stabilizing role in Asia and beyond. Indeed, most Americans would favor a China moving in a democratizing direction. The question is “how” best to promote this positive evolution. But the devil is in the details:

- There is broad recognition in the United States that this is perhaps our time of maximum leverage over China. (As China continues to grow economically strong and self-sufficient, U.S. leverage is declining.) There is, however, little agreement about how to use our leverage effectively.
- For many Chinese with memories of the chaos, savagery, and indignities of the Cultural Revolution of the late 1960s, this is the best of times. Whereas many Chinese measure improvement from 1979, some Americans stress what they view as the deterioration in Chinese human rights practices since 1989. How to close this gap in Sino-U.S. perceptions is a conundrum.
- Jim Hoagland, a Washington Post columnist, argues that the Clinton Administration “errs in granting a high profile political embrace of the Communist leadership that perpetuated the Tiananmen massacre and continues to say it did not happen.” Others argue that a high-level dialogue is essential to agreement and to ultimate change in Chinese policies.
- The Clinton Administration argues that a mix of incentives and disincentives is necessary for dealing with China’s internal and external policies. The downside of this approach is confusion over ends and means. Neither the American public nor the Chinese fully comprehend the mixed signals sent by the President and his administration.

- We want a China that distributes power internally, yet ensures compliance with trade and arms control agreements. A weakening center in Beijing may be incapable of delivering full compliance on trade deals and on the sale of dual-use technology abroad.
- We argue that our relations with Japan are of primary importance in Asia; yet, China has particularly bitter memories of Japan from World War II and views itself as the target of recent improving U.S.-Japanese defense cooperation.

China’s Challenge . . .

Our China agenda is overloaded. Because everything is important, nothing is vital. There is no strategic purpose to our engagement with China, because, in part, there is no consensus on the nature of the Chinese challenge to American interests in Asia. Critics of the Clinton Administration argue that China is a “classic revisionist power.” This remains to be proven. China is neither our partner nor our adversary.

China’s challenge is not now primarily military, and it will not be for the next ten-to-twenty years. Not only is China at least a generation behind the United States in its defense modernization program, the pace of its modernization is such that the gap between it and the United States is widening, not narrowing. It will not be closed by the purchase of dated defense technology from Russia. Moreover, China is surrounded by historic enemies whose defense modernization programs are bringing more sophisticated military hardware into their arsenals. China has thousands of miles of unpatrolled and undefended borders. It has a growing dependency on imported oil. China, in short, has genuine security needs.

However, this does not mean that the United States has no security concerns with respect to China. Clearly we do. China has the capacity to threaten any and all of its neighbors. This capacity will grow. Indeed, we are clearly concerned by China’s weap-
ons proliferation policies. A recent CIA report, for example, argued that “During the last half of 1996, China was the most significant supplier of WMD-related (Weapons of Mass Destruction) goods and technology to foreign countries.”

China’s challenge is not economic. The hyperbole in this country about the rising trade deficit with China is misplaced. That deficit reflects the decisions of Koreans, Taiwanese, Japanese, and others to invest in China and to export from there to the United States. Moreover, it also reflects our refusal to sell big-ticket, civilian nuclear technology and other sanctioned items to China.

The Chinese economy remains much smaller than ours and troubled by the structural and demographic problems noted above. This does not mean that we do not have a significant agenda of trade and financial issues to discuss with the Chinese. In most respects, however, China’s economic growth is an opportunity for—not a threat to—the United States.

Clearly, the yawning “values” gap between Chinese leaders and the United States presents a problem. Tiananmen was a watershed event and has undermined Sino-U.S. relations ever since. However, what Chinese authorities do to their own people does not directly affect U.S. interests. Indirectly, of course, suppression of dissent undermines the regime’s legitimacy and erodes the ability of the United States to have a positive relationship with China’s leaders.

The primary challenge that China will pose to the United States in the decades ahead will be political. The United States is a status quo power in Asia; China will seek to change this status quo to its benefit. We seek to retain and strengthen our ties in Asia and to maintain our stabilizing role in the region. China has a greater interest in the diffusion of power in Asia, which could have the practical effect of augmenting its influence. It is important to stress that, at one level, this “challenge” should not be objectionable. We have facilitated Chinese entry into international bodies from the United Nations to APEC. It is natural that Chinese views will not necessarily coincide with ours any more than ours always coincide with French views in Europe.

What would be of concern is if China sought to undermine U.S. influence and alliance ties in the region. We rely on a web of bilateral security alliances in Asia to maintain our presence and to pursue our interests. In the past, China has not seriously objected to our bilateral security agreements with South Korea and Japan. More recently there appears to be a shift in Chinese thinking occasioned partly by differences with the United States over Taiwan. Chinese criticism of the Japan-U.S. Security Treaty has been rising. Chinese Foreign Ministry spokesman, Shen Guofang, was quoted as saying, “Asian security should be decided by Asians.” Chinese talk of “multilateral” solutions to regional security problems may, in part, be aimed at the special U.S. role in the region.

A systematic effort to undermine the U.S. position in Asia is within China’s capability. Such a challenge could have an effect. There is an Asian body of opinion, which is growing, that deeply resents what is viewed as American arrogance in pursuing its agenda on human rights, trade, and other issues. There is growing general suspicion of the United States in Asia. In the words of one American observer resident in the region, “the U.S. has lost a lot of ground over the spring and summer.” Increasing numbers of Asians are coming to believe that American leaders only visit the region to lecture them. The Clinton Administration has not helped itself in Asia with its focus on Russia, Europe, and the Middle East, and with the absence of any senior administration official with significant Asian experience.

The real challenge, therefore, that we will face from China in Asia will be political. Chinese leaders may try to draw “them versus us” distinctions in Asia that could be very harmful to our interests.

... And U.S. Options

The United States has three basic options in dealing with China: First, the United States could continue current policies of mixing sharp public criticism of Chinese domestic behavior with serious private pursuit of agreement on a complex agenda of economic and security issues. Given U.S. domestic political pressures, one cannot be optimistic that President Clinton can engineer two successful summits with President Jiang Zemin that will stabilize the bilateral relationship and put it on a positive course. Simply put, domestic political forces are placing the relationship in danger. President Clinton risks losing control of Sino-U.S. relations. His refusal to play a personal leadership role in explaining his
views to the American people has not helped.

Second, the United States could decide that the conservative and liberal critics of current policies of engagement are right. They argue that China can only be reformed or tamed by pressure. This, they believe, is our opportunity (given China’s reliance on the U.S. market) to press for significant changes in Chinese policies. We should, under this approach, identify precisely what it is we want from significant market access, to concrete steps on the human rights front, to iron clad commitments on weapons sales, and so on. We should then link access to our market and future U.S. investment in China to the satisfaction of this agenda.

Such an approach would reduce the sizeable gap between our rhetoric and our policies. Moreover, there is no doubt that this approach, pursued vigorously, would put significant pressure on Chinese leaders.

My view is that this approach would fail. It would divide us from our friends in Asia, who want no part of an overt containment policy. It would further reduce our influence in the region. It would, in all probability, complicate but not prevent China’s rise. It could even effectively turn China into an enemy. Harvard Professor Ezra Vogel is right: “China is a rising power, but it need not be an enemy. If we treat China as an enemy, we increase the chances of creating an enemy.”

A Third Approach

There exists a third, fresh approach based on roughly twenty-five years of experience in Sino-American relations since Nixon’s “opening” in 1972. We know Chinese calculate interests carefully and are unlikely to budge when they believe their interests are significant and ours are not. (Our intervention on human rights in China is a case in point.) They are prepared to negotiate seriously when they believe the interests of both sides are involved. (Trade disputes are an example.) Finally, they are prepared to negotiate when we have something they want or when they believe we have significant leverage (WTO entry, for example). They respond to pressure, particularly when it is multilateral, not unilateral.

This argues for moving to a policy that has substantial, credible incentives and disincentives—one that makes distinctions between what is achievable and what is not. I have mapped out the constituent elements of such an approach with the full understanding that it may offer only good policies, not good politics.

Our objectives should be to (1) ensure that China’s external behavior does not threaten our interests or draw us into a regional conflict, (2) expand our economic welfare through positive trade and financial interaction with China and the region, and (3) see China continue to move in the direction of a more open political system with expanding popular participation in governance.

To successfully pursue these objectives, we need to

• Lower our rhetoric and define our objectives toward China more precisely.
• Abandon, to the extent possible, our largely rhetorical, feel-good gestures aimed at China, such as meaningless votes in the World Bank and our annual MFN debates. These do not befit a great power and blur the distinction between what we say and mean.
• Regain a measure of self-confidence (but not arrogance). Scare stories about Chinese strength are misplaced. China remains fundamentally weak and inward looking. Neither, however, should we exaggerate the effect we can have on China’s internal policies.
• Listen to our experienced friends in the region and not needlessly force uncomfortable choices on them.
• Recognize that there are significant internal pressures in support of both political and economic reform in China. We should delicately assist these internal forces, and not press our agenda on China, particularly when there is virtually no chance that we can be successful.

We must, therefore, create a policy that provides incentives for Chinese internal policy reform and disincentives for irresponsible Chinese external policies. The distinctions are critical, and both China and its neighbors will appreciate them. Specifically, we should abandon most, if not all, post–Tiananmen sanctions. By and large, sanctions are inconsistent with a positive relationship with China. If used, they should be carefully targeted.

Of course, the work of nongovernmental human rights groups in the United

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States and Asia should be supported. It also is important for U.S. government officials to continue to raise privately with their Chinese counterparts our concerns about Chinese abuses. However, we should recognize that the best way to promote good human-rights practices in China is to increase the empowerment of Chinese citizens. That should be the focus of our efforts, not the welfare of Chinese dissidents, who can best be helped by improvements in the rule of law and similar measures in China.

We should, therefore, work with the Chinese through our nongovernmental and quasi-governmental organizations (such as the Asia Foundation, the Ford Foundation, and the International Republican Institute) to promote legal reform, local village elections, and other measures that improve the rights and capacities of Chinese citizens. These American organizations need a positive atmosphere in which to work with Chinese counterparts.

We should facilitate China’s entry into the World Trade Organization on commercially viable terms. Doing so will force Chinese leaders to confront difficult economic reform issues sooner rather than later. It will also provide the United States with a multilateral forum in which to raise issues of market access with China.

If the weight of U.S. policies regarding Chinese domestic policies is on the side of providing incentives for positive action, the weight concerning China’s external behavior should favor disincentives for policies that undermine regional stability and seek to diminish our influence in Asia.

Clearly, the place to begin is with our allies. They will applaud the measures outlined above. Our forward-based military presence is essential to regional stability. Our priority needs to be maintaining the regional ties that will permit maintenance of this presence.

The issue of Taiwan will trouble Sino-American relations. We need to avoid being sucked into a Chinese civil war, but should maintain both elements of U.S. policy of the last twenty years on this issue (that is, Taiwan is an internal Chinese issue that should be settled peacefully). We must be very clear, as well, about Chinese unilateral pushes into the South China Sea. Such moves can only promote instability.

It serves our interests, and China’s, to facilitate Beijing’s entry into regional security regimes and discussions. Where possible, we should be looking for security cooperation that includes expanded ex-

changes between our respective defense establishments.

Finally, the Chinese need to recognize that our interests are directly and decisively joined when it comes to their weapons-related sales to Iran and other rogue states.

**Final Thoughts**

Ambiguity in diplomacy has its uses. However, Sino-American relations have suffered because neither side has been sufficiently clear about the relative weight it attaches to individual issues. Regular high-level dialogues can improve this situation, but ultimately it is the challenge of leadership to establish a firm direction in foreign affairs and to follow it. The Clinton Administration needs to narrow its agenda with China, abandon a pattern of unilateral public criticism, and concentrate on those issues of security and trade on which our interests are joined with those of China.

Too many U.S. policies seem designed more to placate American opinion than to affect Chinese behavior. Their indirect consequences are to raise Chinese suspicions of our motives without increasing Beijing’s desire to accede to our wishes. Indeed, U.S. public lecturing makes it more difficult for a proud people—raised on a historical legacy of foreign humiliation—to bow to demands from Washington.

However, China cannot escape the consequences of its size and growing economic strength. It is inevitable that others will remain properly cautious about China’s longer term ambitions in Asia. The United States, in particular, will want to ensure that China’s external role is one that promotes stability and reduces tensions. Above all, we must be alert to any Chinese efforts to undermine our ties with our traditional friends in the region.

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