

US-CHINA RELATIONS IN POST COLD-WAR ERA

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The United States and China are two great powers. They had been strategic allies against a common threat, the former Soviet Union. But during post-cold war era their relationship needed to be redefined. At the same time the fact, can not be denied that their relationship is vital for regional and global peace.¹

In the post-cold war era the world is more interested in economic development than involving in conflicts or were.² The United States' security concerns of cold war era have been transformed into economic ones. America has also expressed its concerns about non-proliferation, human rights and democracy.³ But the trade and commercial interests have been the top priority on the United States agenda to sustain its economic pro-eminence in the World.⁴

The United States is a leading export economy. Its domestic growth depends largely on its world trade of merchandised goods and services. The growing China market of 1.2 billion could play a vital role in maintaining the present growth rate of American domestic economy. China with its low cost of land and labour has proved to be an attractive production site for American firms. This would reduce the cost of their products and help them to remain competitive in international market. Moreover China has served as a source of cheap labour intensive goods and low-tech machinery for American consumers.⁵

For China, the United States was a source of high technology and industrial goods. It was also the second largest recipient of Chinese exports and third largest investor in China.⁶ Both the United States and China shared deep economic interests. Despite serious differences over human rights, democracy and non-proliferation

issues, the economic interests had served as the basis for bilateral relations in the post cold war scenario. Moreover economically developed China could also serve the United States' political interests. According to Professor Pendley, the Asian experience showed that economic development led to the emergence of a middle class. This class demanded more civil rights and active participation in political system.⁷ This could be true for China. The economic prosperity has already produced a limited freedom of speech and a participant culture at local level in China.⁸

It would be interesting to know how mutual dependence on each other's market and economic interests generated interdependence. How this economic interdependence became the basis of bilateral relations in the post cold war era and it helped to avoid any major conflict despite Taiwan Strait crisis of 1996.⁹

This interdependence helped China, on one hand, to assume the role of a major power in the world and the opportunity for economic development on the other. On American side, this interdependence served as the source of economic prospects to restore America's declining competitiveness and opportunity to reduce its economic coat of security in the Asia-Pacific region.

BACKGROUND

The US China relations had been passing through tides throughout the cold war period. The difference in political and economic systems produced rifts in bilateral relations. But US policy of containment of Soviet Union enhanced the need of close bilateral relations between China and United States.¹⁰ The normalization of diplomatic relations opened a long tempted China market. It proved to be a potential market in all the areas of trade. The volume of trade, which was virtually nil at the time of rapprochement, became \$95 billion in 1999.¹¹ The four-

modernization programme of China created enormous opportunities for US business. The American technology that was considered to be the best and high tech goods was greatly in demand in China. Chinese market could serve the declining pre-eminent position of US economy in the world. Though the United States was reluctant to sell and transfer military technology to China but several dual-use technologies including satellite technology were not restricted in the export control list.¹²

The realpolitik relations helped to institutionalize the commercial relations. Trade volume which was virtually nil in 1971 became \$17.75 billion in 1989.¹³ Normalization of diplomatic relations facilitated direct foreign investment in 1979. DFI from the US resources rose to \$284 million in 1989, which was only \$13 million during 1979-82.¹⁴

RELATIONS UNDER DIFFERENT ADMINISTRATIONS

The American strategy to adjust China in a strategic triangle paved the way for exchanges in the fields of culture, science and technology, business, education and defence. These exchanges included the regular visits of high-ranking officials from both sides. The presidents and secretaries from America side and their counterparts from China visited each other. All these exchanges produced mixed results regarding political achievements. The bilateral relationship remained fluctuating in the absence of a consistent policy towards each other.¹⁵

The presidents from Nixon to Carter performed major role in developing mutual partnership signing two important communiqués of 1972 and 1979. In Reagan era, the anticommunist posture of the President created a sharp decline in existing relations. Reagan was not ready to distinguish between Chinese socialism and Soviet communism. China also reacted aggressively to the American stand

that China needed the United States more than the United States needed China. Further problems occurred due to United State military exports to Taiwan. China also shrunk cultural relations on the question of political exile to a Chinese tennis player. Even Reagan's state visit to China was not a political success but it could achieve its economic motives.¹⁶

The agreements were signed on abolishing double taxation on American firms and facilitating American foreign investment in China. Other agreements on scientific, technical and cultural co-operation were signed. A bilateral agreement on collaborations in the field of nuclear technology for peaceful purposes was also concluded. The ground realities showed that though slowed down for sometime, commercial relations continued to grow. The volume of trade, which was reduced to \$4.3 billion in 1983 as compared to \$5.2 billion in 1982, appreciated to \$6.1 billion in 1984. The direct foreign investment arose considerably reaching \$700 billion, according to the Chinese sources.¹⁷ The volume of trade rose to \$236 million in 1988.¹⁸

During the cold war era despite major differences including human rights, prison labour products, democratization of Chinese political system, China's arms proliferation and nuclear technology transfer activities, the commercial relations continued to grow.¹⁹ The mutual economic interests of both economies resulted in a web of interdependence evolved during the cold war period. Though trade disputes like market access intellectual property rights, prison labour exports and non-transparent legal system soured the commercial relations. But both economies had become dependent on each other's markets and could not cut off completely.²⁰ Mutual interdependence urge both nations to continue the political relations even in the absence of any common threat.

THE PEST COLD WAR SCENARIO

The end of cold war changed the political scenario. Now China's position as an important strategic ally in a three-dimensional superpower's triangle changed as the common treat of Soviet Union was over. The American policy concerns were shifted from strategic to economic ones. A lot of suspicions about China and its position as a potential threat for the United States were there. The US policy implications in the post cold war scenario towards China were the centre of hot debates in America. The Tiananmen incidence became the immediate source of US anger. It also ended the consensus between US Congress and administration over United States policy towards China. Congress insisted on using US economic leverage to compel China's adherence to US political goals of human rights, democratization and non-proliferation.²¹

AMERICAN POLICY OF ENGAGEMENT

In America there had been a consistent debate over the relationship with China. There was a general consensus in the United States that Washington should use its influence to bring China in conformity with international norms. The United States should try to foster changes in China's political, economic and security systems compatible with the US national interests.²² But there was little consensus on how the United States should manoeuvre to achieve these goals. There were more or less three approaches that the United States had applied towards China.

First approach was a moderate one. It called for engagement and less confrontation towards China. This was favoured by the Clinton's administration, some in Congress and elsewhere. They thought that possible break up of China would be disastrous for America's interest in Asia. They were impressed with China's growing economic and national strength and the opportunities it

provided to the US. They thought that economic interdependence with western world would deter disruptive action. It would also setup an advantageous economic relationship for both nations. Moreover the better economic conditions in China would certainly push its society in the directions of materially better off, more educated and cosmopolitan populace, who would press their government for better representation, political reform ad democracy. They believed in close co-operation with China to promote these long-term trends compatible with American interests.²³

The second approach was that of less accommodation or containment. They took China as a potential military threat especially after the collapse of Soviet Union. They were of the opinion that the United States should use military force as a counterweight to rising Chinese power in Asia, to deal with economic issues, arms proliferation and other disputes with China. The United States should have close co-operation with its traditional allies along China's periphery to deal with any disruption from China.²⁴

The third approach was based on the assumption that China's political system needs to be changed, before the US deepen its relations with China. This point of view argued that US officials should workout a mechanism to change China. They should also be vigilant to deal with disruptive Chinese foreign policy actions in Asia and in the world.²⁵

On the other hand, some of Chinese leaders remained deeply suspicious of US policy goals they consider die US as a neo-colonist power. China had followed an independent foreign policy for a long period of history. So it was very sensitive to any sort of foreign interference. Chinese leaders suspected that the United States was conspiring to weaken China. She was also trying to undermine China's prominent position in world affairs. Though Chinese youth

had adopted westernized culture, yet public poll showed deep distrust about American policies. The best seller books like *China Can Say No*, express the intellectual scars of past humiliations by the west.²⁶

But there was mother group of leaders in China who were in favour of opening to the west. This group included the regional leaders of areas, which were greatly benefited by foreign trade and investments. This also included politicians who sought a stable relationship with the America as indispensable for success of reforms and for China's four modernizations.²⁷

Some in United States thought that China might be a potential rival with its high military purchases mid technology transfers recently from Russia.²⁸ They also argued that policy of constructive engagement in post cold war era would produce an economic and military rival in future, a threat to the grand sons of the present generation.²⁹

But majority was in favour of engagement with China. They argued that China had shown no intentions of expansionism. It had shown a desire for peaceful coexistence with others. China's external behaviour would be determined by its internal situation. China having conformity with international norms would be more responsible actor in international system. Its integration in the world system was the goal, which could only be achieved through engagement. Moreover one fourth of the world could not be left isolated.³⁰

ECONOMIC ISSUES

China was one of the fastest growing economies of the world. Analysts believed that its potential as a market would be increasing significantly in figure. Despite fluctuations in US-China

relations in the post-cold war era, their economic relations had been growing. Issues involving trade, investment and technology transfers had been important factor in US policy debate. Trade imbalance, trade disputes like trademark and intellectual property rights added conflicting mood to the economic relations. Fragile banking system of China, protective measures and quotas from both sides, less transparent Chinese laws and China's entry in WTO were also troubling areas in bilateral relations.³¹

Both countries had manifested economic interests dependent upon each other's markets creating interdependence in economic areas. In the cold period all the American presidents since normalization had followed the policy of engagement with little variations. But after the end of cold war in the absence of a common threat, the US-China policy needed redefinition. Many conflicting issues, which were in the background, came to the surface; like human rights record of China, Taiwan, trade disputes and non-proliferation created tensions in bilateral relations. The mutual economic interest served as the basis of growing partnership in post-cold war era. The realization of these economic ties also kept the political relations alive. For instance, despite deep concerns about the political ideals of human rights and democracy, President Clinton has to de-link MFN status from China's observance of human rights. According to Wall Street Journal by doing this he might have jeopardise \$34 billion US-China trade which would have resulted in loss of thousands of jobs in America. This would undermine his own efforts to push American economic growth.³²

In fact the post-cold war era is the period of political economy and no government even the United States would be able to undermine the importance of economic interest in foreign policy making, particularly to a country having a huge market like China.

The changed US policy strained the US-China relations at this stage. The economic sanctions on the sale of high technology and dual-use technology transfers *reduced* the volume of US exports to China as compared to the demand of China market. While sanctions turned China towards alternative sources mostly the America's western allies. The liberalized export control on high-tech products after the demise of COCOM and the US allies' preference to their commercial interests created a sense of commercial loss in the US business community.³³

The economic cost of lost United States' business was very high but despite great differences on political and trade issues the trade relations were never stagnant. Both the Bush and Clinton administrations under the policy of presidential waiver to liberalize sanctions on high technology exports like advanced computers, satellite technology and many dual-use technologies.³⁴

The realization of American declining competitiveness and the need of great China market made it possible for Clinton to delink MFN status for China from political issues in 1994. He wanted to follow a vigorous trade policy, which could provide more market access to foreign companies in the United States and ensure more open markets for the United States abroad. He was of the opinion that a trade based effective international economic policy would increase trade competitiveness. It would also ensure more American influence in the world at the time of reduced security threat.³⁵

Actually the web of economic interdependence was the driving force in US-China relations in the post cold-war reduced security environment. It also provided the basis for political relations. The role of American business community in achieving renewal of MFN status for China was very prominent. They had launched multidimensional drive to achieve the permanent normal trade relation status for China. Though Clinton adopted hard-line

approach towards China for its accession to the World Trade Organization and demanded more market access and improvements in human rights conditions. But the American business community was more in favour of China's accession to WTO, as it would open China's market for them under the WTO rules both in merchandised and service sector.³⁶ The American companies that found home market a saturated one, saw China as a vast potential market with enormous opportunities.³⁷

A number of contracts were signed during Clinton's state visit to China in 1998. Both leaders decided to continue the regular meetings of joint commissions on economic co-operation, science and technology, environment and cultural relations. Chinese and US negotiators would meet regularly to review progress in implementing important commercial agreements, such as the bilateral agreement on enforcement of intellectual property rights and WTO. Considerable progress had been made in the area of trade.³⁸ The United States became China's second largest export market for its low-tech labour intensive goods. It absorbed one fifth of China's direct exports of worth \$81.78 billion. The value of US exports to China exceeded \$13 billion in 1999.³⁹

The emerging interdependence due to commercial interests has been so strong that despite a major crisis in Taiwan strait in 1996, the Clinton administration took three major decisions: liberalizing of economic sanctions on dual use technology transfers; revive military to military relations between the two countries; and to grant certification to implement US-China bilateral nuclear agreement. No president from Reagan to Bush had dared to grant this certification since the signing of agreement in 1985. The agreement was signed during President Jiang Zemin's state visit to Washington with a number of other economic deals. It was a proof of the fact that the American commercial interest plays a powerful role in shaping US-China policy. The sale of nuclear technology for

peaceful purpose to China over the protest of security type old-cold warriors segments and Congressmen was actually a drive from the American nuclear industry to capture the last potential China market for American nuclear technology industries.⁴⁰

The US-China shared interests in controlling waves of Muslim fundamentalism in South Asia, managing Russia and Japan to have stability in the Pacific region, peace in Middle East and Korean peninsula. China wants to secure peace and stability especially in Asia, to sustain its economic growth. She also wants to continue open door policy towards the west as a source of high technology and investment as well as a market for its labour intensive goods.⁴¹ Both China and the United States have economic stakes in the success of economic reforms in China. Both want to foster global order and economic growth. It ensures their co-operation in United Nations, World Bank, International Monetary Fund, Asian Development Bank, APEC, and now in the World Trade Organization. China also has veto power in Security Council. The United States needs its co-operation to implement its new world order.⁴²

The United States and China are now co-members of many multilateral regimes of nuclear non-proliferation like CTBT, NPT, CWC, Zanger Committee, Australia group etc. These forums provide the opportunities to resolve the bilateral, multilateral and global conflicting issues for both nations.⁴³

The economic interdependence has become the basis for bilateral relationship between China and the United States in the post cold war era. It would also be the basis of close economic and political relations between the two greater nations across the Pacific. Their interdependence would be a source of peace for both China and United States as well as for the world.

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