

The Forced Friendship:

China's Rise and its Implications for the International Community



Bart Boonen 20050697 4 ES
Thesis supervisor: Mr. Parlevliet
Date of completion: 20 May 2009
The Hague School of European Studies
The Hague University of Professional Education

I. Executive Summary

In 1949 the People's Republic of China emerged from a civil war with communist Mao Zedong as its victor. During the peak of Mao's rule China was completely isolated from the world. In the 1960's China lost the support of the Soviet Union due to failed policies such as the Great Leap Forward and various border clashes. Moreover, during the Cold War it was almost impossible to trade with the capitalist West. It were the failed policies of Mao Zedong however that forced China to seek the help of Western countries in order to feed its people.

The former American President Richard M. Nixon initiated negotiations with China in 1971. Nixon decided to start negotiations because he wanted to pull China out of its isolation and because of China's strategic location towards the Soviet Union. Through China, the United States were able to collect intelligence from the Soviet Union and to restrain Soviet expansionism. China changed dramatically with the death of Mao Zedong. One man that stands at the cradle of China today is Deng Xiaoping. After the strict Mao rule it was Deng who initiated economical and political reforms: decentralizing the government and opening China for foreign investment.

The relationship between China and the United States has had its difficulties. A problem that has existed since the beginning is Taiwan. Other issues are human rights, trade, international relations and energy. These four issues have gained more importance since 1989. In this year the strategic importance faded due to the fact that the Soviet Union was no longer considered a threat. Moreover, the government of Deng Xiaoping violently ended a student protest on Tiananmen Square in this year. It was American President Clinton who reproached China for violating human rights, threatening to take away China's economic advantages. However, Deng's economic reforms had attracted such a considerable amount of American companies that Clinton had to disconnect trade relations from China's attitude towards human rights. This trend continues with President George W. Bush. China and the US were becoming increasingly interdependent considering the deepening trade relations; this deepening has also led the US to ask for an increasingly open Chinese market.

China's rise has transformed the country into the 'factory of the world'. This rise has also had its effect on the environment. The increase of Chinese production has transformed the country into the largest emitter of greenhouse gasses and has made China increasingly dependent on countries that the US sees as rogue states. China's separation of politics and economy enables trade with countries such as Zimbabwe and Iran, to the displeasure of the United States. The intent of the Obama Administration is to widen the range of issues on which China and the US cooperate. Global challenges such as global warming and the financial crisis are forcing the countries to look for joined solutions. The way the relationship develops in the future depends on the reactions of the two nations to the global crises.

II. Table of Contents

I. EXECUTIVE SUMMARY	III
III. PREFACE	VIII
1. INTRODUCTION	11
2. AN OPENING TO CHINA	13
3. ROAD TO NORMALIZATION	19
3.1 THE START	19
3.2 FROM INDEPENDENCE TO INTERDEPENDENCE.....	22
3.3 TIANANMEN SQUARE	24
4. CHANGES ON THE CHINA AGENDA	27
4.1 FOCUS ON HUMAN RIGHTS	27
4.2 FOCUS ON THE ECONOMY	30
5. CASE STUDY: CHINESE ENERGY DEPENDENCE AND IMPLICATIONS FOR THE UNITED STATES	37
5.1 THIRD WORLD COUNTRIES.....	37
5.2 TRADE.....	39
5.3 POLLUTION.....	40
5.5 CONCLUSION	41
6. FUTURE PROSPECTS.....	43
6.1 THE FIRST 100 DAYS.....	43
6.1.1 <i>Environment and Energy</i>	44
6.1.2 <i>Trade</i>	44
6.1.3 <i>Human Rights</i>	46
6.2 UNCERTAINTIES DURING THE OBAMA ADMINISTRATION.....	47
6.2.1 <i>How are China and the United States going to continue their relationship?</i>	47
6.2.2 <i>After the financial crisis, how can Chinese reform affect the United States?</i>	49
6.3 CONCLUSION	51
7. CONCLUSION.....	53
WORK CITED	57

III. Preface

The current sole superpower of the world is the United States of America. It has the largest economy in the world, the largest military spending and it is the most influential player in the international arena. However, today's world is one of interdependence. Countries are connected through trade, treaties and international organizations. When considering the financial crisis it is noticeable that problems with payments of mortgages in Orange County, California, can develop into a crisis that affects the world. Besides the financial crisis, there are more problems that need to be addressed on a global scale. Consider for instance global warming, the AIDS epidemic or nuclear proliferation. All of these are concerns that need global attention.

One of the countries with the most impressive development in the second half of the twentieth century is China. The communist country has developed itself from almost complete isolation under Mao into one of the world's current most important international players in 2009. China has developed into a country that cannot be ignored and which offers great opportunities. Today, because of China's development, both China and the US are nations that are essential in the process of finding global solutions. The relationship between these two nations has a rich history and bears great significance in the international arena.

This thesis describes the development of the relationship between the US and China and the impact the nations have had and still have on each other. Various challenges within the relationship between China and the United States are addressed here. Four central issues in this relationship will be discussed: Taiwan, human rights, trade and energy. Finally, the rise of China and its implications will be addressed. The rise of China not only bears consequences for the relationship between the United States and China, but it also implies consequences on a global level. This thesis will provide a clear view on how the relationship between the US and China has developed and which issues have played a part in the shaping of this relation. At the end of this thesis readers are challenged to shape their own opinion on the future of China and the country's impact on the world.

The impressive rise of China inspired me to investigate the history and future of that rise and its implications for the United States and the international arena. The starting point for this thesis is 1969; the year Richard Nixon became President of the United States of America. It was Nixon who managed to breathe new life into the relationship in the aftermath of Mao rule. Mao had turned China into a communist republic and had forced the country into isolation for over two decades. The year 1969 is significant, because this is the year negotiations for rapprochement between the two countries started. Therefore, the description of the relationship in this thesis starts in 1969. China of course, has had

influence on US foreign policy before 1969. A short summary of this influence can be found in the introduction.

The developments in the US-China relations will be described per American President. This is done in a narrative structure for reasons of accessibility. This approach enables an understandable and correct timeframe and provides a clear view on the so-called bigger picture. As the relationship between the US and China develops, issues will become increasingly interconnected. To clarify links between the issues and their impact, a more analytical approach on the subject can be found in the latter part of this thesis.

Last, a word of thanks to family, friends and lecturers, who were a great support for me during the writing of my thesis. I am very grateful to Mr. Parlevliet, who kept me focused and guided me through the essay. And Mrs. Overdeest has been a great help suggesting improvements for the use of English. Both are well respected lecturers of The Hague University. Furthermore, I want to thank my friends who took the time to read the thesis and comment on it, Mark Groenewoud, Kees Jan Boonen and Rieneke Kok. Last I want to thank my parents who kept me cheerful through difficult times.

1. Introduction

One of the main reasons for countries to start a relationship is a mutual benefit for both countries. One country needs service which the other can provide. China's strength has always been its human capital, for example, its large population enabled the building of the Great Wall, and it is exactly this manpower that was needed in the early days of the United States of America. In 1868 Chinese workers sailed to the United States to construct the railroads that would connect the East Coast to the West Coast. Although the American employers were initially very satisfied with the loyal Chinese workforce, tensions increased with the completion of the railroad as work became scarce. The Chinese, who were known for their hard work, low demands and low wages, caused social unrest amongst immigrants from Western Europe. Consequently, Chinese neighborhoods were burned down and Chinese workers were hunted down and killed (Schama S., 2008, p.329-340). The US government was forced to take measures to secure peace and stability. The government of a country which relied completely on immigrants, signed the Chinese Exclusion Act in 1882: the first act that banned immigrants based on race.

This example from the nineteenth century shows the ambiguous feeling towards China. On the one hand the US were glad to benefit from the Chinese, while on the other had it feared the impressive size of China and feared the Chinese characteristics. The Chinese Exclusion Act remained in force until the end of World War II, when China played a role in defeating imperial Japan.

The man who changed US-China relations dramatically was Mao Zedong. Mao established the People's Republic of China in 1949. China was initially an ally of the Soviet Union and as the Cold War progressed the great communist block was perceived as a threat to the democratic United States of America. The United States feared that the dominant presence of communism would lead more Asian nations to join this communist movement. This theory became known as the 'domino effect' and has had great implications for US affairs in Eastern Asia during the 1950's and 1960's. When North Korea invaded the democratic south in 1950, the US felt forced to interfere. With the successful passage of a resolution through the United Nations against North Korea, a coalition pushed back the communists under US command (Crockatt R., 1995, p 100-102). The success of the coalition brought them near the northern border, close to China. Mao had repeatedly warned that China would not tolerate enemy forces that close to its border. The Chinese participation in the Korean War forced troops to retreat towards the initial Korean border of 1950.

The US considered the invasion of North Korea and the support of China and Russia as a sign that the communist block was looking for expansion. In order to prevent this, the United States established various protectorates in Eastern Asia. An example of one of these protectorates, that would remain an

issue throughout the US-Chinese relationship, is Taiwan. This island was a refuge for people who did not want to be subjected to communist rule in 1949. Sustaining good relations with this island would provide the US with a base close to China's mainland. During the beginning of the Cold War it was a US priority to restrain China and Soviet Russia. Taiwan would be a valuable asset in this matter. The priority to restrain China diminished when the Soviet-China relationship began to deteriorate.

China dismissed any foreign interference in the early years of the Cold War. The nation was willing to enter into a relationship, but refused subjection to another nation. Mao's rule had placed the country in a vulnerable position. He initiated policies that would prove to be disastrous for the county: The Great Leap Forward and the Cultural Revolution. These failed policies caused famine and a struggling economy. China's policies had also estranged the country from the Soviet Union, which called back all its engineers and ended the relationship. Mao was consequently forced to look to Western countries to feed his people.

2. An Opening to China

“We simply cannot afford to leave China forever outside the family of nations, there to nurture its fantasies, cherish its hates and threaten its neighbors. There is no place on this small planet for a billion of its potentially most able people to live in angry isolation.”

Nixon R.M., 1967, *Asia After Viet Nam*

In 1969 Richard M. Nixon became President of the United States of America. The Soviet Union and the People's Republic of China were locked in heavy struggle. With different interpretations of communism, different thoughts on the future, and mostly different views on the borders between them, the Soviet Union was China's number one enemy (Alexander, B., 1992, p. 213-215). Nixon ordered his Secretary of State, Henry Kissinger, to investigate possibilities for rapprochement between the countries. In July 1971, Beijing accepted the invitation and Kissinger flew to China for a revolutionary visit. Nixon had already showed goodwill by removing more trade restrictions before the trip (Foot R., 1997, p. 74-76).

The basis of the major turnaround in US policy lay in a different US understanding of international relations or the so-called 'equilibrium' (Alexander B., 1992, p. 215-220). Before Nixon and Kissinger, US officials recognized only the bipolar world of the USA and the Soviet Union. The other countries in the world would either conform to one of the two or remain neutral. The new theory provided five areas in the world as 'power centers': the USA, the Soviet Union, Western Europe, Japan and China. Of these countries China was the only one isolated and able to have an influence on Soviet Russia's possible expansion drive. Furthermore, Nixon feared that China was able to develop a nuclear arsenal anytime soon; an isolated China would be far too dangerous (Tyler P., 1999, p. 50-51).

Kissinger's supposedly secret visit to China was one that needed to be downplayed as much as possible. On the international field the US had to consider the Soviet and Taiwanese reaction. From within the United States Nixon had to be aware of criticism coming from the conservative wing. The official statement claims that no agreements were made nor any treaties signed, when in fact Kissinger laid down the foundation for another visit. On 21 February, 1972, Nixon set foot in China, the first American President to ever do so in Beijing. The handshake between Nixon and the Chinese Prime Minister Zhou Enlai was an historic one and symbolized the start of a new friendship. However, sensitive issues such as the war in Vietnam, Taiwan and Soviet relations could harm the fragile relationship.

Taiwan would prove to be the biggest obstacle. The United States and Taiwan had signed the Mutual Defense Treaty in 1955. Due to this agreement Chiang Kai-shek, the President of Taiwan, was under the direct protection of the United States. Without this protection it was likely that the government of the People's Republic of China would have claimed Taiwan long ago. Another factor that influenced the US to remain loyal to Taiwan was that the Taiwanese existence was under pressure. An increasing amount of nations were recognizing the People's Republic as the official government of China, instead of Taiwan. This became especially apparent in October 1971 when the People's Republic of China was admitted to the United Nations General Assembly, instead of Taiwan (Alexander B. 1992, p. 222). The US government simply could not give up Taiwan without losing face, an ally in the Far East, nor deliver Taiwan on a silver platter to China.

The negotiations between Nixon and Zhou Enlai resulted in the Shanghai Communiqué that was signed on 27 February, 1972 (Tyler, P, 1999, p. 142-142). In this Communiqué many issues remained unresolved, however four principles were created to guide the budding relationship in the future. The first was an agreement that both countries needed to strive for normalization of the relationship between the two and that a proper US-China understanding would be in the interest of the international community. The process of normalization is one of recognition, this includes the establishment of full diplomatic relationships and the presence of an embassy. Normalization was important to the Chinese, since through normalization, international recognition and improved ties with the US were within reach.

The second agreement concerned a common effort to reduce the threat of international military conflict. The third ruled out a possible hegemony of the US or China in the Asia-Pacific region and the fourth agreement denied any rights of China and the US to negotiate on behalf of third parties and to enter in an agreement or understanding that was included at other states. In other words, negotiations and agreements between the United States and China did not automatically include other nations. There was also a breakthrough on the matter of Taiwan, the US government acknowledged the 'two China's' on either side of the Taiwanese Strait (Tyler P., 1999, p. 142-143).

The Shanghai Communiqué also had consequences for trade. Within a year the US became the third largest trading partner of China. The majority of the Chinese imports consisted of grain. Interestingly enough is that in the early days China had a trade deficit of about 900 million dollars (Foot R., 1997, p. 75-77).

During US-Chinese negotiations the US and the Soviet Union were still on speaking terms, several visits took place and even treaties were signed. Much to the displeasure of Beijing. It aroused suspicion on this side, especially with Mao. Moreover, negotiations had to be secretly held and press statements

did not cover everything that was agreed on for 'the enemy' also read the headlines. After the Shanghai Communiqué, Kissinger flew to Beijing several times to 'normalize' the situation with China, but Taiwan remained a major issue. The United States would often offer ways in which they could recognize China and keep protecting Taiwan. The Chinese, however, would not budge. On the Chinese side it was primarily Zhou who conducted the negotiations and reported directly to Mao in the first stages of the negotiations. With Zhou aging and becoming terminally ill, it was Deng Xiaoping who was responsible for foreign affairs. Leonid Brezhnev became the Soviet leader in 1964 (Tyler P., 1999, p. 167-176).

With the US-China relationship an interesting power triangle was created. The United States was counting on China to provide information and restrain the Soviet Union. China needed the United States for protection against the Soviet Union and international recognition. The Soviet Union in its turn was forced to mobilize troops on both sides of its borders: near the border of Eastern Europe and near China.

During the campaign for re-election Nixon received fierce criticism from within the US. The Watergate scandal had erupted and it did not aid US-China and US-Soviet relations. The scandal brought a new dimension to the power triangle. With Nixon on the brink of impeachment, the President needed to insure himself of re-election. It was Russia in particular that wanted to take advantage of the vulnerability of the President. Brezhnev became increasingly aware of the nuclear arsenal of China. Nixon knew however that stronger ties with Moscow would estrange Beijing. He refused to accept any offers from the Russians, The Watergate scandal haunted Nixon after his re-election, forcing him to eventually lay down the presidency (Tyler P., 1999, p. 177-179). His successor Gerald Ford, former leader of the House of Representatives, succeeded Nixon in 1974. In those years the relations between Washington and Beijing made any close to zero progress. Although Ford had good intentions, Deng laid down three ground rules for further normalization of US-China relation. Firstly, to break relations with Taiwan, secondly to withdraw all US forces from Taiwan, and thirdly to "abolish" the Mutual Defense Treaty. The Republican Ford Administration found itself in a deadlock. (Tyler P., 1999, p.199-201) It could not abandon Taiwan without angering the conservative side of the party, while at the same time pressure was building up. The US was already being accused of using China as leverage to influence Russia. With no change in the situation, the Chinese claimed the US was in "strategic passivity" (Tyler P., 1999, p. 204). As a nation that considered itself fighting a Cold War and defending the peace, the US did not want to be noted as passive. An opportunity to show the opposite came soon enough.

The battleground of the Cold War was moving from Western Europe and the China-Soviet border towards Africa in general and Angola in particular. After the decolonization process in Angola the

MPLA Popular Movement for the Liberation of Angola, was in power. The two rivaling parties were the FNLA, National Front for the Liberation of Angola and the UNITA, National Union for the Total Independence of Angola. Many of the African nations were inspired by Mao's writings about liberation, therefore China had invested in close relations for some time. The fact that China supported the FNLA and UNITA was due to the fact that the Soviet Union had helped the MPLA into power. A major military investment from the Chinese side brought the UNITA and FNLA to the borders of Luanda, the capital of Angola. With renewed support from the Soviet Union and Cuba, opposite forces were pushed back and the civil war continued. Kissinger saw opportunity to show that the United States of America were still very much committed to restricting the influence of the Soviet Union on the global field. Another advantage was that providing aid to China in the Angola conflict, the US would distract the focus on the Taiwan issue. Ford approved substantial financial and military aid, which was rebuked by Congress. The normalization process with China was thrown back (Tyler P., 1999, p. 204-220). New opportunities did however presented themselves. During Ford's time as President, Mao Zedong died on 9 September, 1976.

The unknown Hua Guofeng succeeded Mao and he did not prove to be much of a visionary nor a great example for the people. Deng Xiaopeng, the veteran revolutionary and victim of the Cultural Revolution, was beloved in the higher liberal ranks of the party. Deng traveled to Beijing in 1977 and was elected Chairman in 1978, sharing power with Hua. The situation of China was critical, many people thought the republic would fall apart after Mao. Besides, the international relations were still weak and poverty reigned amongst the Chinese, new leadership was essential in order to steer the country into a new direction. With the power struggle between Deng and Hua and the conservative side of the Chinese Communist Party watching Deng's every move, it was too soon to steer away too far from Mao's thinking. Concerning trade, during the Ford Administration the situation was fluctuating. The Chinese import was based on filling up shortages. This meant that if enough grain was produced, China would import less grain. Another obstacle was that, besides the renewed relationship with the United States, it was still not commonly accepted in communist China to trade with the Western imperialists. With much competition from US allies, who started trading with China long before the US, the United States were not able to take as much advantage of the situation as it had hoped.

Conclusion

It was a Republican government who eventually managed to initiate a relationship with China. It had become of strategic importance in restraining the Soviet Union. For the US it was a very delicate situation: too many concessions would upset Russia and Taiwan. At the same time a more cooperative bond with the Soviet Union would result in a suspicious China, which was in turn needed to restrain

Moscow. Kissinger was the appointed man who had to find a way through this challenging situation and who had to secure the position of the US. After the successful start with Nixon, the relationship did not improve under Ford. The remaining issue of Taiwan proved to be too large a problem.

3. Road to Normalization

3.1 *The Start*

The change in Chinese leadership also brought about change in American leadership. In 1977 democrat Jimmy Carter entered the White House. This new Administration had a different view on China and was determined to complete the normalization process. Three persons were vital in the upcoming years when it comes to Chinese policy. Those people are: Cyrus Vance, Secretary of State; Zbigniew Brzezinski, Assistant for National Security Affairs and Leonard Woodcock, later to become the first Ambassador to China. Between these three Vance and Brzezinski had opposing ideas as to the conducting of foreign policy in the heat of the Cold War. Vance preferred approaching the Soviet Union in order to restrain the nuclear arms race. Brzezinski however leaned towards normalizing relations with China to pressure Moscow. These opposite views turned into a race for recognition. If Carter would side with Vance it would mean that completing the normalization with China was practically off the table. Siding with Brzezinski would be a great blow to US-Soviet relations and an obstruction to future negotiations.

Woodcock was the man on the ground and he conducted many negotiations with Chinese officials, but the main problem remained Taiwan. China considered it an internal matter and called upon its sovereignty. Carter realized that normalization with China by abandoning Taiwan would not make it through Congress. Therefore Woodcock came up with the 'Woodcock Formula', a way to go ahead with the negotiations without the Taiwan issue, by simply not putting it on the negotiation table. In the meanwhile Vance was making progress in Moscow with Brezhnev and the arms control negotiations. Finally a draft Communiqué was sent to China for normalization of the relation. The Communiqué of 1978 proposed 1 January 1979 as the date on which full diplomatic relations would be established.

In the meantime Deng Xiaoping was determined to reform China into a competitor on the global market as well as improving living standards for the Chinese people. He had defeated Hua Guofeng in the battle for leadership and was able to go through with his modernizations by investing in industry, agriculture, science and technology. The main factor that could create modernization was the economy. The new government banned communal farming, allowing people to work on their own land and sell their products. Furthermore, it encouraged entrepreneurship and increased the freedom of speech and thought. Deng realized that China was too big for one government. He therefore pushed for strong governmental reform. Deng Xiaoping disagreed with the idea that China could solitary do this. As a key to his success he needed to attract foreign technology and money. Another push into the direction of normalization came from Brzezinski. He told Beijing that the arms control deal with Moscow was in its concluding stages. Thus he claimed to have "pave[d] the way for a visit to Washington by Brezhnev" (Tyler P., 199, p. 260). Adjustments were made to the Communiqué of

1978 and America agreed to abolish the Mutual Defense Treaty while at the same time it retained the right to sell weapons to Taiwan, which had already been agreed on. This period concluded after one year. In the final stages of the negotiations Deng explained why the abolishment of the Mutual Defense Treaty and future arms sales to Taiwan were out of the question. He explained that his 'one country, two systems' strategy gave Taiwan almost total autonomy. "Taiwan would keep its own political and economic system – even its own military – but under the banner of one China, with national sovereignty residing in Beijing." (Tyler P., 1999, p.263). If America continued to sell arms to Taiwan, a negotiation with the Taiwanese government was impossible. Still the Carter Administration thought that it was not sufficient for a majority in Congress and after some fierce debating, both sides agreed to postpone the discussion until after the completion of the process. Full diplomatic relations were established.

The normalization brought about recognition of 'two China's', the Mutual Defense Treaty with Taiwan was abolished and the discussion postponed. However, Taiwan did not need to fear for a spectacular change in US-Taiwanese relations. The Republican leaders had their doubts about the normalization progress and drew up the Taiwan Relations Act. It gave the US the power to sell defensive arms to Taiwan and help Taiwan to keep up a 'self-defense capability'. The future of Taiwan was to be decided through peaceful means (Tyler P. , 1999, p. 274-275). Deng showed resistance to this and Carter even considered vetoing the bill. The act received strong support in Congress and the House of Representatives Carter signed it into law.

The Soviets disagreed with the new situation between China and the United States, but within a timeframe of a week the relations were normalized and the arms control deal (officially called the SALT II Accord) between the Soviet Union and the United States was completed. In response to the renewed situation, Brezhnev declined an invitation from Carter to visit the US

Carter had set many great steps towards normalizing relations with China. The Administration established full diplomatic relations with the Chinese. Thanks to the normalization China became a valuable asset in the acquisition of intelligence. Near the Soviet border, the United States and China had set up a sophisticated network for sharing intelligence. A significant advantage for China was that the Most Favored Nation (MFN) status had been allotted to it. This status provided special import and export tariffs (Foot R., 1997, p. 78-79). The new developments had increased trade by three hundred percent. The MFN status made trade between the countries more profitable and thus more attractive. The status was the start of a trade relation that functioned as a foundation for a strong relationship. A fierce opponent of this development was Ronald Reagan, the presidential nominee of the Republican Party. Election time was closing in and the United States of America were confronted with many

delicate issues. The economy needed internal reform, the government expenditure was reaching its limits and the influence of the government appeared to be too great.

On the international field, Carter was an advocate for human rights. Concerning China however, he remained relatively silent. Fear of damaging a fragile relation could have been a motive for this silence. Overall Americans were divided on further rapprochement between their country and China. Ronald Reagan had uttered protest against improving relationships with China since Nixon's termination of office. Reagan proposed that the US had to step out of the United Nations General Assembly if and when the People's Republic of China entered. He named the abolishment of the Mutual Defense Treaty with Taiwan a 'sellout'. The closer Election Day came, the more Reagan tempered his rhetoric against China. At the same time he still committed to display his friendship towards Taiwan. Reagan was elected in 1980 and became President in 1981. Although elected, Reagan was the President-Elect for some months. The China of the presidential transition period was one that was different from the China of Mao. It can be argued that the China pre-1978 was still a China with Maoist characteristics. After the rise of Deng Xiaoping however, various changes in policies had been initiated. In the seven years after the normalization of relations "thirty-five treaties, agreements and protocols were signed" between Washington and Beijing (Foot R. , 1997, p. 224-225). China had shown that it was not after domination in Eastern Asia and under Deng it was open to, and even depending on, foreign relations.

During the transition period, the cooperation between Deng and Carter had not yet finished. The Soviet Union at the time had a strong presence in Afghanistan and an alliance between Egypt, Saudi Arabia and Pakistan. As a counterweight China and the US were supplying Afghan 'freedom fighters' with arms and monetary aid to fight the Soviet rule. The US could not form an official alliance with a communist country and so, at the time, Carter had named it a 'strategic association'. Haig, the nominee for Secretary of State, agreed to this association, perceiving China as a strategic force against Moscow. In the meanwhile Reagan, still heavily in favor of supporting Taiwan, warmed up to the idea of having a close relationship with China when officials displayed the successes of the Afghan cooperation and the results of the intelligence stations that were positioned in the northeastern part of China. These stations were collecting as much intelligence from Moscow as possible. People had convinced Reagan of the importance of China and so the President-Elect agreed to the 'strategic association', which implied that China could obtain non-defensive weaponry from the US and that export controls of 'dual-use' technology were liberalized, which was very controversial.

China however showed some resistance towards full diplomatic relations, stating that the US and China could not go on with their negotiations if the issue of Taiwan remained unresolved. The proposed sale of arms and technology to China was to be kept secret. During a trip of the appointed

future Secretary of State however, information leaked to the *New York Times* and the *Wall Street Journal*. The news on the proposed weapon sale was not received mildly. Especially the Asian allies of the US such as Taiwan and Japan were astonished that the Reagan Administration could commit itself in such a way to a country such as China. Reagan had not been officially installed yet and he had to summon Haig back. However, the 'strategic association' remark constituted a change of policy in the Reagan Administration. (Tyler P. 1999, p. 319-320).

Conclusion

The initial negotiations between China and the US were tough, but due to the daring politics of Brzezinski, China agreed on normalizing relations with the United States. The precondition was to postpone the Taiwan issue. With the adoption of the Taiwan Relations Act, China encountered various American opinions in various American governmental bodies. The new US-China relationship created Chinese confidence relating to the Chinese-Soviet border disputes. At the same time the nation also needed US recognition to be of any significance in the international arena. For the United States the relation offered great business opportunities and it served as a base for the gathering of intelligence. Moreover, China appeared a partner in restraining Soviet power. It was exactly this benefit that convinced the new President Reagan, who was initially heavily set against US-China relations and pro Taiwan. With the normalization of US-Chinese relationship, improvement in the US-Soviet relation was unlikely.

3.2 From independence to interdependence

With the installment of President Reagan, the issue of Taiwan was brought back into the negotiations and Deng experienced a new attitude from America with every new President, which did not contribute to the continuity and credibility of US agreements. Distrust grew amongst the two countries. At the same time the power balance started shifting. The crisis in Poland in 1981 alerted the Soviets, who increased the pressure in Eastern Europe. At the same time Brezhnev delivered a speech, claiming that it was never Moscow's intention to threaten China, an initial attempt at reconciliation. For Reagan it was out of the question to stop arms sales to Taiwan therefore he sent George Bush, his Vice-President, to Beijing to negotiate a deal of "gradual reduction" of arms sales (Tyler P., 1999, p. 325). Deng agreed to the proposal and signed what became the Communiqué regulating US arms sales to Taiwan; the US-China relation was secured. Improvements in other relations also came about in 1982, as a Chinese official flew to Moscow to initiate dialogue. Besides the Soviet Union, both Europe and Japan sought closer ties with Beijing. It was clear that the United States was not the sole trading partner of China. And due to the failed 'strategic association' remark and the trouble afterwards, the US had hardly delivered the material it promised. China was exploring its options on the international

playing field and as a result became less dependent on US help. This attitude could even empower rapprochement between China and the Soviet Union. In the following months words as 'détente' were used by Soviet officials when talking about Beijing. Schultz, the new American Secretary of State, who had replaced Haig after various incidents such as the 'strategic association' remark, flew to Beijing to discuss the relationship and its improvement. The sale of weaponry to Taiwan declined by five percent and more American businesses started investing in China. Schultz also raised technology sales and so the relationship 'matured'.

China increasingly became a global player, mainly due to economic opportunities. Deng Xiaoping was a true reformer; one of the most important reforms that Deng Xiaoping initiated was the creation of the Special Economic Zones (SEZ). In these zones foreign companies could establish their factories and use Chinese labor to produce their products. With China on the rise, both economic and diplomatic interest began to coincide. Reagan visited Beijing in 1983, there he signed an "agreement for cooperation concerning the peaceful uses of nuclear energy." (Tyler P., 1999, p.334-335). China planned on building eight nuclear power plants before the turn of the millennium. American companies were involved in this project at an estimate of 25 billion dollars. Through this, Deng attracted both foreign investment and technology and created more job opportunities with relatively high wages. Another sign of China's new attitude towards international cooperation was the announcement that Ivan V. Arkhipov, the deputy prime minister of the Soviet Union, would visit China one month after Reagan did (Tyler P. , 1999, p. 335). Moreover, in 1984 the Chinese signed a contact with France for managing electricity in the southern province Guangdong. This included the building of a 900-megawatt nuclear power station. This increasing international attention for China pressured the United States to keep investing in the relationship, the US could not fall behind when it came to international relationships. It decided to sell 24 Blackhawk helicopters, without any of its weaponry, to Beijing.

Beijing even widened its scope after downgrading its military readiness from preparation for "early, large-scale, and nuclear war" to "peacetime construction for building up the national defense" (Tyler P. 1999, 336). Besides looking to the West and the Soviet Union, China was broadening its scope towards the Middle East. China was negotiating with countries like Syria, possibly Iran, Libya and Pakistan. US diplomacy managed to prevent the creation of these ties. It was certain that China was searching for progress and it was not waiting on US approval (Tyler P. , 1999, p. 333-337). While China as a nation was changing, domestic changes were about to dominate the agenda. The younger generation was seizing the opportunity to let the more open approach towards the outside world coincide with political reform; thousands of students from Beijing protested for the implementation of democracy. The start of the demonstrations was the sudden decease of Hu Yaobang, an ally of Deng Xiaoping and one of the closest allies of the students that supported political reform.

Conclusion

The Reagan era has been one of controversy and progress. Reagan had always objected to rapprochement between the US and China. He felt that the US should be a reliable friend to Taiwan. The developing economic interest benefited both countries. However China was growing and was not likely to limit itself to the US. In the final years of the Cold War China and the Soviet Union had been on so-called speaking terms. The international community became accustomed to a new player: China. The creation of the Special Economic Zones proved to be a success, many foreign countries wanted to take advantage of the giant, and relatively cheap, labor force. During Reagan's presidency China started an economic progress that had great consequences for the future (Foot R. , 1997, p. 233-237).

After two terms of Ronald Reagan it was his Vice-President George Bush who ran for President, the elections started in 1988.

3.3 Tiananmen Square

The demonstrations on the streets of Beijing and especially on Tiananmen Square happened in the first months of the Bush Administration, which were also the first months of the new ambassador to China: Jim Lilley. Next to the protests, another event occurred that might even have had bigger consequences for the power balance and maybe even for US-China relations. The new leader of the Soviet Union, Mikhail Gorbachev, visited Beijing and ended the ongoing Soviet-Chinese rivalry. Bush needed to prevent that the new relationship had major implications for the ties the US held with China. Therefore Deng stated that the meeting was to end Soviet influence in Afghanistan and Vietnam and a discussion on the retreat of military forces from the Soviet-Chinese border. Deng stated this in a meeting with Bush, who traveled to China in his first months in office to show he intended on sustaining the relation.

Despite the much anticipated visit of Gorbachev, the atmosphere in Beijing was tensed. The students wanted political reform and more democracy. The decease of their ally Hu Yaobang caused many students to travel to Tiananmen Square and protest. In the following days the number of protesters kept growing. Despite several warnings from the government, the students on Tiananmen Square did not budge and even resorted to more extreme measures: a hunger strike. Washington disregarded the demonstrations and focused on the upcoming visit, a statement of support was issued. During Gorbachev's visit dozens of students were laying in front of the Great Hall of the People, where all official ceremonies took place, refusing food and in protest. The visit of Gorbachev was overshadowed by the protest which was the first major public protest against the totalitarian government. Moreover, the Western media were present to report on Gorbachev's visit. The focus of the media quickly shifted

towards the protests. American news channels were reporting on Tiananmen Square. Deng Xiaoping was infuriated. By the end of May, Martial Law was declared by the government. A critical situation had become explosive. Martial Law enabled the government to end the protest by force. The declaration of Martial Law and the use of it hurt Chinese-US relations in the future.

After 48 days of protest, tanks and soldiers of the People's Liberation Army stormed the square and killed many students. The world was outraged (Tyler P., 1999, p. 356-359). It was impossible for President Bush not to respond to the events at Tiananmen Square. He stopped the arms sales and visits between American and Chinese military officials. Some claimed that Bush was too mild on China, certainly when the news of higher death tolls reached the Western world. Therefore Bush raised the ban to all high level officials and stopped the US support for loans to China given by the World Bank (Foot R., 1997, p.244-245). Bush kept a restrain on sanctions in fear of hurting relationships in such a way that China went back into isolation. At the same time the power of the Soviet Union was decreasing. Bush noticed nations like Poland, Hungary and Czechoslovakia rise against Soviet rule when he visited Europe in 1989 (Tyler P., 1999, 360-365).

In November 1989 the Berlin wall fell, symbolizing the end of the Soviet Union and the Cold War. With the collapse of the Soviet Union China lost a large part of its strategic importance, which was one of the benefits for the United States. After the fall of the Soviet Union the United States was able to broaden its agenda towards China. One of the more important points that needed to be addressed after the Tiananmen Square incident were human rights. Besides this, China also kept selling weaponry and technology to rogue states in the Middle East and South Asia. Washington disagreed with the proliferation of arms to these areas. On the economical field China's importance for the US had already grown prior to the Tiananmen incident. With this incident China displayed its totalitarian face, which led to an exodus of foreign companies. (Foot R., 1997, p.244-245). Nevertheless China enjoyed the so-called Most Favored Nation trade status, President Bush had not taken that away.

Conclusion

When George Bush became President he had already established ties with the Chinese representatives. During his time as Vice President he had visited China and was determined to bring the relation further. However, due to events such as the collapse of the Soviet Union and the Tiananmen incident it was George Bush who had to seriously rethink the US-China relationship. The global landscape changed dramatically with the crumbling of the Soviet Union. China's strategic importance was fading and its image was heavily damaged due to the incident on Tiananmen Square. The relationship had entered into a new phase after 1989, resulting in a shift in priorities on the Chinese agenda. The call for

human rights could not be silenced anymore and the sentiment towards China became ideological and political (Foot R., 1997, 226-227).

Bill Clinton was the democratic presidential nominee and he vigorously attacked Bush's China policy. In 1992 the election campaigns officially begun. At the end of the Bush Administration Deng Xiaoping took the economical reforms to a new level with statements as: "To get rich is glorious", he was trying out new economic structures to improve prosperity and restore the image of China in the world (Tyler P. , 1999, p. 375).

4. Changes on the China Agenda

4.1 Focus on Human Rights

With the Soviet Union crumbling, the US was the remaining superpower in the world. The next American President would be the leader of the most powerful nation in the world. It was democrat Bill Clinton who became the new President of the United States in 1992. On the campaign trail he had been very critical towards the foreign policy of his predecessor Bush. In Clinton's opinion Bush had neglected too many American values in order to maintain a good relationship with China. Therefore the Clinton Administration set out a nine point plan to improve human rights in China and encourage non-proliferation of arms. The main points on this list concerned the Universal Declaration of Human Rights, political freedom (free imprisoned protestors), and religious freedom (Tibet). To pressure China into reaching these requirements, the Clinton Administration linked the Most Favored Nation status to the human rights campaign (Xuefeng S., 2006, p. 68-69).

Restrictive measures on the export of products were not what China needed. The Tiananmen Square incident had meant an exodus of foreign investors. The new economical reforms of 1992 meant a change in the climate. Deng invested in the Special Economic Zones (SEZ) along the coast of China and shortly thereafter American companies found their way back. In 1992 and the beginning of 1993 various large American companies invested in China, companies such as Coca Cola and General Electric (Xuefeng S. , 2006, p. 68-69). The American companies and their interests soon made up for the loss of strategic importance (Tyler P., 1999, p. 387). The increased involvement of American companies also created a lobby to separate human rights from the MFN status. Meanwhile Clinton would not budge; the Clinton Administration was suspicious. The Administration did not know exactly what to expect from a rising China. There were uncertainties; the military impact, the economical impact and the influence of China on other territories in Eastern Asia were only guessed at. The proliferation of weapons could be a threat. The Departments of State, Commerce and Defense all had their own doubts on the intentions of a more powerful China (Tyler P., 1999, p.395-397).

The suspicion can be seen in the '*Yinhe*' incident of 1993. The Yinhe was a containership that was about to ship cargo from China to Iran. American intelligence suspected that the cargo consisted of poisonous gas that was to be used for mustard gas and nerve gas. After unsuccessful pressure from the US government to investigate the shipment, Saudi Arabia offered to conduct the search under US supervision. The Chinese agreed and the search proved an embarrassment for the United States, no toxic materials were found (Tyler P., 1999, p. 396-399). It was such a debacle because China had signed the Nuclear Non-Proliferation Treat in 1992, had joined the International Atomic Energy

Agency and had shown good intentions by decreasing the sales of weapons by great numbers in the 1990's. The Clinton Administration had erred and things needed to be done to diminish the tension. For China Deng Xiaoping was no longer able to conduct negotiations, he therefore sent Jiang Zemin, China's president. Zemin had gained status since the Tiananmen Square incident, as party leader he had managed to end the protest in Shanghai relatively peacefully (Tyler P., 1999, p. 370). During meetings between Clinton and Jiang Zemin the military-to-military ban that had been in place since 1989 was lifted. Moreover, Clinton offered to sell a state-of-the-art supercomputer for weather forecasts that was worth 8 million dollars (Tyler P., 1999, p. 400-401). The Chinese in return promised to consider admitting representatives from the Red Cross to investigate what the human rights standards were like. Neither side was willing to let any conflict grow into a serious threat to their relationship. For China the US was of importance for international recognition and export, whilst for the US China was too important for stability in the Far East. It was considered a strategic location in the face of a threatening North Korea. And both countries benefited from healthy trade.

Besides mutual benefits of the MFN status of China, there still was the threat of the loss of the status that was linked to the nine requirements on human rights. Neither the Secretary of State, Warren Christopher, nor the President was willing to make concessions. Yet. In the last days of the ultimatum the Chinese representative, Qian Qichen, discussed the matters with the Secretary of State. The Chinese were willing to release Wang Juntao (protester of the Tiananmen Square uprising), discuss again the admittance of the Red Cross into the Chinese prisons and they agreed to launch an investigation on the 'jamming' of broadcasts of 'Voice of America' (Tyler P. , 1999, 408-409). It were these commitments and the lobby of eight hundred companies that caused a shift in Congress and thus a shift in the President's mind. Clinton separated economical interests from ideological interests. He said: "If we were to withdraw the Most Favored Nation status from China, it would undermine what I hope to see in terms of our relationship."(Xuefeng S. , 2006, p. 69). The concessions made by Clinton did not represent a new dawn for human rights. Instead, Chinese representatives were struggling for power within the Chinese Communist Party. The health of Deng Xiaoping was poor. Chinese leadership does not change every four to eight years as it does in the United States of America. It depended on the health and reputation of the current leader and the accomplishments of his fellow members of the Chinese government. In 1994 a transition of power was inevitable and the Chinese government officials were not that concerned with human rights.

During the Clinton Administration it was anything but quiet on the Taiwanese front. The situation became critical in 1996. In the preceding years Clinton had given more attention to the Taiwan Relations Act (initiated by the Republicans after the normalization of the relation), signaling that there was still a bond with Taiwan. The number of high level talks between Taiwan and the US increased and Li Denghui, the President of Taiwan, was even allowed to visit the US. The situation changed

when Li Denghui received a visa from the United States (Xuefeng S., 2006, p. 67). In response to the new developments China began to shift forces of the People Liberation Army to its South-Eastern parts near Taiwan and scheduled several military exercises. It was considered too close for American comfort. The actual firing of missiles under the banner of drills made the situation threatening. The Clinton Administration tried to abate the situation by reiterating the ‘three no’s policy’: “no support for Taiwan’s independence; no support for “two Chinas” or one China, one Taiwan;” and no support for Taiwanese membership in international organizations” (Bergsten C.F. et al, 2008, p. 178). In the end it took US naval interference to calm the matter. After the incident the countries found that rapprochement between them was necessary.

It was Zemin who had managed to come out on top during the power vacuum that Deng’s death left. Zemin stood for the continuance of Deng Xiaoping’s reforms. It was he who presided over the 1997 celebrations for the return of Hong Kong and he spoke of China’s future during the fifteenth Party Congress. Jiang’s view on the future of China became apparent with the nomination of the “pragmatic” Zhu Rongji as Prime Minister instead of the “hard-liner” Li Peng (Tyler P., 1999, p. 419-421). After the crises of 1996 Clinton offered to meet face to face with Jiang Zemin and China agreed to sign the UN Covenants on Civil and Political Rights and the Covenant on Economic, Social and Cultural Rights. In 1998 Jiang Zemin visited the US and met with President Clinton.

The last significant thing at the close of the Clinton Administration was the signing of the US-China Relations Act of 2000. This bill normalized trade relations with China; meaning China’s entry into the World Trade Organization (WTO) was possible. With entering into the WTO, China would have to further open up its markets, special tariffs would apply and international competitors on the Chinese market would have to be allowed. One of the goals behind the entrance of China into the WTO, according to US government statements, was to increase prosperity and thus the minds of the people and create a drive for liberation of the Chinese people (Smith M. 2000, ¶ 9). The admission of China into the WTO also offered great economic opportunities.

Conclusion

Bill Clinton was the first President after the Cold War who had China on his agenda. After China became notorious for its human rights violations, it became an important issue for the Clinton Administration. The agenda shifted from a pure strategic point of view to one that was based on American moral and values. By linking human rights and economic interest, Clinton risked of harming both the US and Chinese economy. The Chinese had managed to create such an attractive economic environment that it was too appealing for US investors to let human rights stand in their ways. The companies in turn influenced Clinton to successfully separate the two issues. The first signs of an

economic dominance in the relation became visible, although Clinton had also made great progress. During Clinton's presidency China signed two UN Covenants, released political prisoners and discussed the entrance of the Red Cross. The decision on whether China would be allowed to enter the WTO would be for the next President.

In 2000 the American run for office was an exciting race Between George W. Bush and Al Gore. Once again China had to wait with what kind of US government they would have to deal with.

4.2 Focus on the Economy

The competition between Democrat Al Gore and Republican George W. Bush was so fierce that it required several recounts and a judicial decision to elect Republican George W. Bush as the forty-third President of the United States of America. The new Administration faced a difficult agenda with the well known key aspects of US-China relations. In the magazine *Foreign Affairs* David Shambaugh¹ sums up eight pressing matters that needed addressing during the Bush presidency in his article: *Facing Reality in China Policy*. The main points that Shambaugh wanted to be addressed concerned the proposed arms sales to Taiwan, a framework for dialogue between the two nations, the national missile defense program, North Korea, human rights and rule of law, the admission of China to the WTO and the possible proliferation of nuclear technology and missile components.

In the early days of Bush's presidency there were negotiations planned on arms sales to Taiwan. In order to keep tensions down the new Administration needed to operate with great care if it did not want to offend China. In his article, *Facing Reality in China Policy*, he asks for the creation of a "framework" for dialogue between the two governments for a peaceful solution. A start of this proposed framework can be seen in the semi-annual "Defense Consultation Talks" between Washington and Beijing. The outcome of these talks formed the basis for their future military policy. Moreover, they shared their thoughts on both global, regional, and security issues. Bush did not stop there when it came to addressing national security. The plan was to build a national missile defense program that could intercept missiles launched into the direction of the US before entering US territory. A group of counter missiles would be placed in allied countries, i.e. Czech Republic, Japan and Taiwan. Certain members of the international community had great problems with the American initiative, mainly Russia and China. China claimed that with the implementation of the program it would drastically increase its nuclear capacity.

¹ Professor of Political Science and International Affairs at the Elliott School of International Affairs of George Washington University, and nonresident Senior Fellow at the Brookings Institution.

The main goal of the program was to increase national security and it was created to counter any attacks coming from rogue states such as North Korea. An increase in the Chinese nuclear arms arsenal might not contribute to the main goal. Besides this, China was at that point one of the countries with the most influence on North Korea and therewith a valuable ally in stabilizing and pressuring North Korea into reform. By pushing the missile program the relation between Washington and Beijing might be hurt. Not only the relationship with North Korea had the interest of Washington; China had good relations with countries such as Zimbabwe, Sudan and Burma. These relationships were a concern for the US due to the governments and their rulers. Chinese indifferent attitude towards dictators and violators of international agreements worried the US especially due to possible weapon sales (Shambaugh D. , 2001, Facing Reality in China Policy p 1-6).

Shambaugh recognized the Chinese efforts that were made during the Clinton Administration to restrict the sale of sensitive information and missile parts, however he urges that an increase of these efforts during the Bush Administration is necessary. The last items where Beijing and Washington needed to work on were those of human rights and rule of law plus entrance of China to the WTO. The human rights had played a major role in US-China relations since 1989. Shambaugh actually mentioned a deterrence of the situation of human rights in his article. The progress in this field would be a tough diplomatic challenge, but not to do so, David Shambaugh argues, is “morally abject”. The last pressing item where he urged the new Administration to act on was trade related. Shambaugh mentioned that Bush needed to work on a swift entrance of China into the WTO, which could have a fundamental impact on the trade relation.

China and the new US Administration had a false start. When Bush entered the Whitehouse he saw China as a “strategic competitor” and initiated a new arms deal with Taiwan (Kessler G. , 2005, US , China Agree to Regulate Talks, ¶ 2). What worsened the matter was the spy-plane crisis in 2001 where an American spy plane hit a Chinese fighter and was forced to land on Chinese territory without Chinese permission. The US aircraft flew over international waters, nevertheless the Chinese held the American airmen for several days on grounds of violation of international agreements. The hard tone against China weakened after the 9/11 attacks in 2001. With a costly war ahead and Islamic fundamentalism as public enemy number one, China’s help might prove to be useful in the future.

When it comes to trade China, and Asia as a whole, has had a major impact on the labor market of the United States. China is the ‘factory of the world’ and the products of Wal-Mart are stocked with products not manufactured by Americans but by Chinese. In the years before the Bush presidency the West increasingly depended on Chinese exports. This trend would continue throughout the Bush Administration.

Besides consequences on the domestic labor market China also received fierce criticism from Bush's Treasury Secretary. Since the Chinese entrance into the WTO, there has been criticism on Chinese state interventions and other policies that manipulated the market economy. It is a 'market economy with Chinese characteristics'. Examples of this are the manipulation of the Chinese currency; a low currency means an improved export position and an attractive investing climate. The low position of the Yuan in comparison to the US dollar made it attractive for American companies to invest and to import their products instead of making it in the US itself. That China kept its currency artificially low was a strong complaint. Another economic concern of the US is the state presence in certain sectors. According to the WTO's *Trade Policy Review* of China in 2008 it appears that reforms in the private and service sector remain "a challenge" (World Trade Organization, 2008, *Trade Policy Review China*, p. 11).

The Bush Administration realized that the trade relation with China was one of increasing interdependence. Instead of letting the complaints evolve into a crisis it was during the Bush Administration that the 'US-China Strategic Economic Dialogue' was initiated: a semi-annual high level meeting where economical issues are discussed. The dialogue started in Beijing in September 2006 and has been a success since. The dialogue has been a way to express concerns, debate differences and solve crises. Despite the US concerns there has also been great progress for the Chinese during their membership of the WTO. During the presidency of George W. Bush China managed to increase its gross domestic product per capita from \$1490 in 2004 to \$2017 in 2006 and managed to decrease the percentage of its population living on \$1 a day to ten percent (World Trade Organization, 2008, *Trade Policy Review*, p. 9). The WTO recognizes that import and export tariffs of China for different products are low in comparison to other developing nations. The US however, feels these tariffs are too high. The Chinese representative contradicted this during the meeting of the WTO on the 'trade policy review' stating that:

"China's overall tariff level had been reduced from 15.3%, at the time of its accession to the W.T.O., to 9.8% on 1 January 2008; the average tariff rate on industrial products had been cut from 14.8% to 8.95% and the rate on agricultural products from 23.2% to 15.2% during the same period." (World Trade Organization, 2008, *Minutes of Meeting* p. 5).

The majority of these reductions occurred between 2006 and 2007, after the establishment of the Strategic Economic Dialogue between Washington and Beijing. Besides the improvements mentioned above, the RMB (Yuan Renminbi) exchange rate increased by 13.3% between 2005 and 2007 (World Trade Organization, 2008, *Minutes of Meeting*, p. 5). According to the WTO a "flexible exchange rate" will contribute to a more independent monetary policy. Another economic development during the Bush presidency concerned the trade deficit with China, it grew in threefold. In 2001 the deficit

consisted of 83 billion dollars, in 2004 it almost doubled to 163 billion and at the end of the Bush presidency it amounted 266 billion dollars (US Census Bureau, 2009, Trade In Goods With China). The three explanations from the US for these numbers are: (1) low wages for Chinese workers, (2) low Chinese currency and (3) the (still) relatively closed Chinese market. Because of the vast trade deficit China has introduced more policies to decrease exports and reduce the tension that exists in the trade relation because of the large deficit. These policies also have their effect on the environment; China has chosen to decrease the export of products that are made by emitting harmful fumes, the so-called greenhouse gasses. What is interesting to see is that when looking at percentages of the import and export balance, it can be noted that the export from the US to China has grown at the same pace as the import of the US from China. In 2001 the export from the United States to China was worth about 19 billion dollars, in 2004 it grew to 72 billion which meant an increase of 300%. The imports of the United States from China were worth 102 billion in 2001 and 337 billion in 2008 which also means an increase of 300% (US Census Bureau, 2009, Trade In Goods With China).

Besides these results, China had a couple of sectors where international trade could be encouraged. It tried to implement laws to regulate the Chinese market for foreign investment and to satisfy foreign demands, but the implementations and control over laws remained a problem. Examples are the Anti-Monopoly Law, Property Laws and Enterprise Income Tax Law. By looking at the progress that China established it can be said that the international community has achieved good results in opening up China to foreign direct investment (China is currently the third largest receiver of foreign direct investment). In the end however, it was the leadership of China which was willing to implement the new policies.

Besides the economic progress during the Bush Administration, there were more challenges pending: Taiwan, human rights, and proliferation. During his first term President Bush traveled to China on several occasions and introduced delicate matters during the meetings. He urged for peace in the Taiwan Strait, addressed the economical issues mentioned above and pressured China into releasing political prisoners. With the costly and high profile war in Afghanistan and the more controversial war in Iraq, the US needed as much support as possible, either financial or moral. The promised weapon deal with Taiwan initially was not closed, partially because of the Taiwanese legislature process. Later Washington was not too eager to make the eleven billion dollar deal, this would have irritated China. Besides the improvements on the economical level, Bush also needed China to keep North Korea in check. The country still had not halted its nuclear program and was about to conduct nuclear tests. In his second term the tone against China became milder. The US noticed results in the field of economics and human rights, therefore the ban on US export to China of high tech products was somewhat lifted. On human rights the opportunity to make a statement came with the 2008 Beijing Olympic Games. During these games Bush met with the Chinese president Hu Jintao and addressed

human rights. However, with the war on terror the Bush Administration decided to use prisons such as Guantanamo Bay to hold terrorists without a trial. Guantanamo Bay and the continuing stories of abuse at the Abu Ghraib prison in Iraq by US soldiers complicated negotiations.

Conclusion

During the Bush Administration China has undergone an astonishing development. In the eight years they became member of the WTO, worked on the opening of the market economy and established itself as a major economic player. Because of the financial policy of China and the trade relations, countries have become increasingly dependent on China and vice versa. It was the MFN status that was granted by President Carter and the developments since that bonded the two countries more than anything. However, China's rise has also held various consequences for other fields.

5. Case study: Chinese Energy Dependence and Implications for the United States

Energy is a product that is vital for an industrialized economy. The larger part of our energy consumption consist of fossil fuels such as oil and gas. Energy is needed for the growth of a nation and with China's impressive rise, the demand for energy also increased. Nowadays China is one of the biggest energy consumers and its demand is likely to grow substantially (Bergsten C.F. , Freeman C. , Lardy N.R. , Mitchell D.J., 2008, p.137). One of the problems with fossil fuels is its limited presence. Due to the energy dependence nations are securing their supply for the future. This securing bears great consequences for foreign policies.

Another disadvantage of energy from fossil fuels, and a nation's dependence on it, is that it is the main contributor to one of the greatest contemporary challenges: global warming. This is a problem that has a global impact and in order to combat it cross-border cooperation is necessary. According to an Energy Agency research the Chinese energy demand is likely to surpass that of the United States (the current biggest consumer) in 2011. This worries nations across the globe (Bergsten C.F., Gill B., Lardy N.R., Mitchell D.J. , 2008, p. 140).

In this case study several fields in which the Chinese affect US foreign policy are linked to energy consumption. One result of that consumption is that China needs to maintain good relationships with countries like Sudan, Congo or Iran due to of energy dependence. Another result can be seen within the field of trade. This case study will conclusively address the consequences of pollution and its possible future implications.

5.1 Third World Countries

China has been an example for third world countries since 1949. Mao's defiance of Western influence has been an inspiration for nations which have just freed themselves from colonial influences of various Western nations (Foot R., 1995, p.199). With the Chinese success story of the twenty first century, the Chinese model of government is seen as a true alternative to the US model (Kagan R., 2008, China's and Russia's Foreign Policy Orbits ¶ 1). The countries where the majority of the remaining fossil fuels are located are countries in the Middle East and Africa; next to fossil fuels Africa is also very rich in raw materials such as copper, gold, etc. These valuable resources have made the continent attractive during the ages of colonization and it has not lost its appeal since. Despite the valuable resources, or maybe because of the resources, these countries are torn between rivaling tribes

and dictators who have been corrupted by power. The people of these countries remain poor and because of the many civil wars, genocides, epidemics such as AIDS and misgovernment, it is very hard to build up these countries. The West has tried to help some of the countries, yet with a clear political agenda. Accepting help from the West had certain preconditions, amongst which political reform, implementing democracy, is important (Bergsten et al, 2008, p 226).

The Chinese approach is different; China does not aim to infringe state sovereignty. Since the end of the 'age of humiliation', as the nineteenth century was called,² China holds the rights of self-determination and state sovereignty in high regard. Internal matters should be dealt with by the nation itself in a way the national government sees fit. Within China this can be observed in issues such as Taiwan and Tibet, while on the international stage this can be observed in the help granted to Sudan, Zimbabwe, Iran, Venezuela, etcetera (Bergsten C.F., et al, 2006, p. 13). These are all countries full of resources that are crucial for Chinese future development and which have controversial regimes. The US does not support the Chinese "no-questions-asked foreign policy" because China aids governments that go against international agreements, violate human rights and are misgoverning their countries (Kagan R., 2008, China's and Russia's Foreign Policy Orbits ¶ 2). By conducting trade with these countries China is not making the effort to change the course of the corrupt governments. Besides the exchange of money and raw materials, China also invests in the internal affairs of the country rather than expressing a desire to change it. If China is allowed to extract the resources available China agrees to build roads, motorways, hospitals, schools, etcetera (Bergsten C.F. et al, 2008, p214/215). As a consequence, China places the governments in a positive light and hand them an opportunity to continue the regime. The fact that China supplies aid to countries such as Zimbabwe goes against US ideology of justice. The growing concern of the United States is the Chinese influence which affects the international stage, such as Chinese help in Iran. This country's president, Ahmed Amadinejad, calls for the annihilation of Israel. When China conducts trade with countries like Iran, Burma is another example, China gives them a platform of legitimacy and independence from Western economical pressure. As an example, trade bans from the West can be considered in order to force Iran to stop its nuclear program, which is in violation of the nuclear proliferation agreements.

China strongly supports state sovereignty due to their internal issues with Tibet and Taiwan, but also to keep the door ajar to those countries mentioned above. It is only when severe violations occur such as the atrocities in Darfur that China is willing to take action under international pressure. Nonetheless, China remains hesitant to interfere with another nation's sovereignty and thus remains benefiting from the local resources.

² Because the Western countries (Western Europe and the United States of America) of the nineteenth century were many years ahead in development, the Western countries were able to exploit China. Due to unfair trade agreements the foreign influence on China grew. The unequal situation resulted in a revolution that ended imperial China in 1912, turning it into a republic.

During the last policy review of China by the World Trade Organization the comments that the African nations provided stood in stark contrast with that of the US and the European Community. There was much praise for the Chinese aid for African nations. “For the Africans, China represented a development example to follow”(World Trade Organization, 2008, Minutes of Meeting p.22). This is a quote from Angola. Countries such as Congo, Nigeria and Venezuela also praised China for its efforts to invest in trade and for the opening of Chinese markets.

5.2 Trade

Since the reforms of Deng Xiaoping China has been on the rise, with a small downfall after the Tiananmen Square incident. Due to its impressive market, immense labor force and economic reforms it managed to catch up with the West. It resulted in the admission to the International Monetary Fund and the World Bank in the 1970's and the last big result is the Chinese entrance into the World Trade Organization in 2001. Since 2001 the pace in which China developed increased and in 2009 China became an economic superpower. A description of what constitutes an economic superpower can be found in ‘*China's Rise, challenges and opportunities*’ by the Peterson Institute for International Economics and the Center for Strategic & International Studies (CSIS):

“It must be large enough to significantly affect the world economy. It must be dynamic enough to contribute importantly to global growth. It must be sufficiently open to trade and capital flows to have a major impact on other countries.” (Bergsten C.F. et al, 2008, p. 9).

According to the authors of this book China has reached the status of an economic superpower. China is the ‘factory of the world’ with its low currency and cheap labor it has become the country with the largest trade surplus (Bergsten C.F. et al, 2008, p.14). Besides the export of manufactured goods that end up on Wall-Mart's shelves, China is also a large producer of “energy intensive goods”, it is responsible for 50% of both the global flat glass and the cement production, 35% of the global steel production and 30% of the global aluminum production (Bergsten C.F. et al, 2008, p 143). A growing domestic demand from China affects the global market prices solely based on supply and demand. This does not only count for raw materials but with an expanding Chinese middle class this could increasingly affect the price of wheat, corn and other agricultural products as well, a trend which can be already be seen today (Bergsten C.F. et al, 2008, p. 209).

An aspect for which China receives criticism is its lack of transparency in its economy and the remaining presence of state owned enterprises. Furthermore, critics argue that China is intentionally rejecting foreign investors as to keep the market under state supervision. Every country protects its

own economic stability and vision for growth. In 2005 a Chinese oil company named The China National Offshore Oil Corporation (CNOOC) bid 18,5 billion dollar to buy the eight largest energy firms of the US, Unocal. Another competitor for Unocal was the American oil company Chevron. The bid on Unocal from CNOOC received much criticism from politicians in Washington who perceived it as a possible threat to national security (Newhouse J., 2009, *The Power of Lobbies*, p.91). After various actions from the US Congress, CNOOC decided to walk out of the negotiations stating it encountered "regrettable and unjustified" political resistance. Later Chevron was able to purchase Unocal for just over 17 billion dollar (Chevron, 2006, "Note 2. Acquisition of Unocal Corporation", section ¶ 1). The US decided to adjust the law on foreign investment after the Dubai state owned company DP World purchased rights to control American harbors from the British P&O (Kalse E. , Van Lent D. , 2009, p. 159). The Committee on Foreign Investment in the United States (CFIUS) is the committee that reviews foreign investment and investigates if there are possible threats with a possible take-over or merger, it sends the report to Congress. The proposed reforms to this committee included more time to review the acquisitions, need to send the report to various congressmen prior to publishing and there was a broader interpretation of national security, including the prohibition of foreign take-over in "critical infrastructure" (Peterson Institute, 2005, *The CNOOC Case* ¶ 49).

The CNOOC example shows that foreign influence in critical sectors such as energy and infrastructure are unwanted in the United States of America.

5.3 Pollution

'Growth at any cost', was Deng Xiaoping's message. The provincial representatives of the party listened well and created an attractive environment for companies to build and expand. In order to ensure these companies stayed in their province, the local leaders did not take restrictive rules coming from Beijing too seriously and through this attitude they guaranteed that their province would prosper thanks to the employment and production (Bergsten C.F. et al, 2008, p.78). The companies arrived and China became a major producer and manufacturer. This resulted in a great demand for energy in the form of oil and gasses and thus heavy pollution. The policy of 'growth at any cost' had its impact on energy consumption and waste dumping throughout China. Now the results became visible after weak environmental control: according to the World Bank there are approximately 350.000 to 400.000 premature deaths in China due to heavily polluted air. Furthermore, due to all the heavy industry the scarce water in China is heavily polluted denying millions of Chinese from save drinking water. Apart from these domestic problems, China has also become the largest emitter of carbon dioxide (Bergsten C.F. et al, 2008, p. 153). This gas is one of the main contributors to global warming and thus a global problem. It is true that per capita the Chinese emission of CO₂ is not anywhere near that of the United States or Europe and that the industrialized West has long been a contributor to global warming before

China became a large contributor. The problem of the emission of CO₂ remains no matter the guilty party, and this global problem requires global cooperation.

The supposedly initial reason for the United States to permit China to enter the World Trade Organization was to increase the prosperity of the Chinese and therewith establishing a larger middle class. Hereafter the new prosperous middle class would want political freedom which would entail the beginning of a democratic China, through a reroute the American plan can still achieve some success. Due to the great pollution, living standards in the urban regions of China are quite poor. It is said that “only 1 percent of China’s urban population lives in cities meeting SEPA’s [China’s State Environmental Protection Agency] preferred PM₁₀ [concentration of particular matter] standard.” (Bergsten C.F. et al, 2008, p.152, 153). Because of the numbers of premature deaths, drinking water, the poor air conditions and the various crises with Chinese dairy products and lead painted toys the central government fears social unrest. The Chinese Communist Party fears the heavy pollution might just be another building block for the domestic call for change in the political system (Bergsten C.F. et al, 2008, p. 13). A change in the political system could have severe consequences for the international community. What kind of government would the Chinese elect? (Communist hardliners or positive to the West?) What kind of measures could the Chinese Communist Party take in order to keep the crowd in control? (Similar to that of Tiananmen Square 1989 or peaceful) Will China stay united or fall apart under a new government? These are all great uncertainties for the future.

5.5 Conclusion

Energy will remain an important factor in international relations in the future. The fact that it is still essential for economic growth will force it to play a dominant role in nation’s agendas. The fact that resources can be found in some of the most instable and/or corrupt government’s forces industrialized nations to maintain good relations with regimes that they might disapprove of. If nations want to decrease their dependence on foreign resources and decrease the emission of poisonous greenhouse gasses that contribute to global warming they either need to invest in natural energy such as wind -, water- and solar energy, build nuclear power plants or try to decrease the usage of fossil fuels. The first is still very much in development, plus costly, the second option is often unwanted by the population or international community and creates another problem: nuclear waste. The third option is very difficult without the realization of the first and second. A growing industrialized country is still heavily dependent on the traditional fossil fuels.

It is hard to foresee to what extent nations will protect their energy resources and what the implications for international trade will be. Looking at the examples of the CFIUS review and the current financial crisis, it is to be expected that free trade and open markets might suffer in the long run. It depends on

the role the WTO takes on in new developments and a nation's refusal to resort to covered protectionism that will decide the future. When a true alternative to fossil fuels is found it will be interesting to see how fast it spreads due to free trade, or how fast the solution is copied due to the absence or small presence of property laws (i.e., laws that accept intellectual property and forbid illegal reproduction).

This thesis argues that hardly any global crisis can be solved without the cooperation of the Chinese. As Nixon stated, one fourth of the global population simply cannot be ignored. This counts especially when it comes to combating global warming and reducing the emission of greenhouse gasses. In order to overcome the global challenges international cooperation is essential and especially that of the emerging superpowers, including India and China.

6. Future prospects

Barack Obama is the forty-fourth President of the United States of America. This Democrat entered the Whitehouse after eight years of George W. Bush. These eight years include: two ongoing wars, a financial crisis, an historic debt and China as an established economic superpower. When reading *'the Audacity of Hope'* by Barack Obama, hope and change are described, The two words that were also at the centre of his campaign. Barack Obama writes about the hypocrisy in US foreign policy, how the United States demands developing countries to lift heir trade barriers, whilst the US neglects to lift its own (Obama B. , 2006, p. 317). Another point Obama touches upon concern human rights. He recognizes that the human rights situation in the US have deteriorated when people were kept without a trial and tortured (Obama B. , 2006, p. 321). Obama sees an essential role for rule of law and transparency, but acknowledges that there is no “single, cookie-cutter formula for each and every country’s development.” (Obama B. , 2006, p. 318). As an example he provides China: he considers the existence of two legal systems as a good thing. One system for the “foreigners and elites” and one for “the ordinary people trying to get ahead” (Obama B. , 2006, p. 319).

In this last part of the thesis the first hundred days of the Obama Administration and its relation with China are described. Following is an overview of different opinions on how the relationship between the US and China will proceed. Different views are provided by different intellectuals and this part is followed by a conclusion.

6.1 *The First 100 Days*

During the previous Administration the relationship with China was very much about economics and thus mainly in the hands of the Treasury Secretary: Henry Paulson Jr. When forming the new cabinet Obama chose Hillary Clinton as his Secretary of State. Both the President and the Secretary have stated that they want to improve and broaden the relationship. The new Administration recognizes the importance of China when addressing global challenges such as global warming and the financial crisis. The fact that Clinton chose Asia for her ‘maiden voyage’ proves that Obama and Clinton see this emerging region as a valuable partner for now and the future. The list with pressing matters is long and the Chinese have proven to be hard negotiators in the past. Nevertheless, the two nations need to act in order to solve global crises. Some of the main issues Clinton wanted to discuss with China were: environment and energy, economics and human rights. After the process of increasing dependence of the United States on China under George W. Bush, it is Obama who wants to increase cooperation further. (Landler M. , 2009, “US Prepares To Broach Hard Issues With China”, ¶ 2)

6.1.1 Environment and Energy

Next to economics global warming will be a priority within US-China relations. In order to stop the process, countries need to work together to decrease the use of fossil fuels. By the end of 2009 there will be an UN climate summit in Copenhagen that will decide the future course of combating climate change. Prior to Clinton's visit Chinese officials already made clear that China will probably not commit itself to caps on their emissions. Also Wen Jiabao repeated the argument that "Europe started its industrialization several hundred years ago, but for China, it has only been dozens of years." Clinton's response was that Europe and the US simply "did not know any better", but that they have come to the right conclusion to turn the tide and secure a safe future. (Wong E. , Revkin A.C. , 2009, Experts in US and China See a Chance for Cooperation Against Climate, ¶ 15, 16) The United States and China are responsible for forty percent of the global emission of greenhouse gasses, a solution without the US and China is unimaginable (Landler M. , 2009, Clinton Paints China Policy With a New Green Hue, ¶ 15).

On the 20 February Clinton arrived in China. There she met with the Chinese President Hu Jintao and talked about possible joined solutions and she visited a power plant that was running on gas rather than coal. From within the US various reports are published, calling for more cooperation between the two nations in the areas of research and development. Clinton called for the United States and China to work together in research projects and ventures (Ellperin,2009, US Has Dual Task On Climate Change ¶ 20). With the new Administration open for new deals, rather than refraining from international agreements on climate change, and the urgency of the problem, it will be interesting to observe how the situation develops towards Copenhagen.

6.1.2 Trade

The global economy is in a crisis, both the American and the European market are suffering heavily from the financial crisis and with them many other countries. Without a market to sell their products manufacturing countries, like China, do not have enough demand for all their products. It is feared that countries resort to protectionism during the economic crisis. For the US this has proven to be a problem with China . Apart from these difficult times, Obama inherited a substantial debt from his predecessor. The total debt to China alone now accounts of 1 trillion dollars (Faiola A. , 2009, China Worried About US Debt, ¶ 1).

Obama appointed Timothy Geithner as head of the Treasury Department. He is the former President of the Federal Reserve Bank of New York. In the beginning of his term he called upon China to stop

manipulating its currency and stop the subsidies of products for export. Others have called upon china to stop the dumping of products on the world market (Eunjun-Cha A. , US China Trade Ties Erode Amid Accusations, ¶ 1, 14). With the subsidies the Chinese government provides for the export of products and with a cheap Yuan Renminbi, China is able to put products on the world market for such a low price that it is seen as dumping. Obama was quick enough in a conversation with China to state that Geithner's view is not the official position of the United States. But because of this dumping the US government felt forced to increase duties on foreign products in order to counter these Chinese subsidies and secure a fair market position for American products. In the steel sector these duties could go as far as thirty or forty percent (Eunjun-Cha A. , US China Trade Ties Erode Amid Accusations, ¶ 10). Obama himself proposed a new international agreement that would both encourage free trade and counter climate change. He called upon the international community during the G-20 summit to erase the tariffs on products that are "climate friendly technologies", according to the World Bank. According to the World Trade Organization the US has tariffs on 32 out of the 43 products on the World Bank list whereas China has a score of 41 out of 43 climate friendly products with a tariff (Price D.M. , 2009, Free Trade, Green Trade, ¶ 2, 5).

Besides talks on free trade, the fact that the US has a debt of 1 trillion dollar to China worries both countries. The Chinese premier Wen Jiabao expressed his concerns on the safety and value of the loan during the Central Party Congress and demanded a guarantee from the US government that its investments were safe (Faiola A, 2009, China Worried About US Debt, ¶ 1). On the American side there are certain people who fear that China might use the debt on the negotiation table in order to avoid pressure from the United States to change government policies. During Hillary Clinton's visit to China she made sure that the US treasury bonds are a safe investment, in fact, she encouraged countries to keep buying. Furthermore, She talked about the interconnectivity of both economies, that it is in the best interest of both the United States and China to achieve a quick economic recovery (Kessler G. , 2009, Clinton Urges Continued Investment in US ¶ 1-7).

Hillary Clinton's visit was also overshadowed by a statement she made on the priorities the United States had when it came to dealing with China. She stated that the most pressing matters where the US and China need to agree and cooperate on are climate change and the economic issues. Hereby she publically separated human rights from the economical agenda, something that angered many human rights activists (Kessler G. , Shear M.D. , 2009, Human Rights Activists Troubled by Administration's Approach, ¶ 2).

6.1.3 Human Rights

Clinton was quick to follow up that comment with stating that human rights were as important as national security, economics, climate and energy. The President himself added that human rights and national security are complementary to each other, focusing on one does not exclude the other (Kessler G. , Shear M.D. , 2009, Human Rights Activists Troubled by Administration's Approach, ¶ 14).

It particularly stung the human rights activists because Clinton was seen as a fighter for human rights in her period as first lady; and Obama started his presidency well by closing Guantanamo Bay. After the statements from Clinton and Obama on improving human rights, Congress accepted a non-binding resolution asking China to stop the Tibetan occupation and start negotiating with the Dalai Lama for an enduring solution (Wong E, 2009, China Protests a US Resolution on Tibet, ¶ 2).

Shortly thereafter a critical report on human rights in China was published in the US, including many points of improving at the address of the government, but also mentioning some progress. For example, the American government found that the number of non-governmental organizations has grown nine percent since 2007. Furthermore, it acknowledged that China is trying to include the people in the policymaking process through setting up telephone lines and by organizing public hearings. As a whole, the report was not received well in China. The country stated that the US "distorted the facts" and that the American government underestimated the "historic achievements". China in its turn accused the United States of "widespread violent crimes, the wealth gap, arms sales overseas and trampling sovereignties of countries such as Iraq." (Wines M. , 2009, China Says US Distorts Facts in Report on Rights, ¶ 7,9).

The relation between China and the United States on human rights is in an awkward position. China has its own pace for improving human rights and introducing its people to 'democracy', but this pace is not quick enough for the United States. The last thing the Chinese Communist Party wants is to lose power. Furthermore the United States must first restore credibility on human rights if it wants to lecture China on this issue. The US has positioned itself as the example of moral and democracy, but over the past eight years the example has not been a shining one. With the new Administration there might be a new start, but with the strong Chinese stance on the handling of 'internal affairs' it is unlikely that Clinton achieves a revolutionary breakthrough on her own. With China's new position in the world as an economic superpower, China has become more interdependent on the whole international community. It is this international community that can keep constant pressure on the Chinese Communist Party to at least keep moving into the direction that is best for the Chinese people.

Asia, and thus China, has been an important issue in the first hundred days of the Obama Administration. With Secretary of State Hillary Clinton's first visit to China, Clinton and Chinese

President Hu Jintao discussed the future agenda between the two nations. The relationship between the two countries will be crucial when it comes to solving international crises, but the US is not only speaking to China for the international community's sake. The US itself also has various interest, one of which is trade. Finance Treasurer Timothy Geithner has his concerns when it comes to the openness and transparency of the Chinese market. Problems such as the manipulation of currency rates, subsidies and product dumping continue to receive his attention. The first hundred days demonstrate that the United States are willing to take action on international issues such as human rights and global warming, but at the same time the US remains critical towards policies that could harm US interest.

6.2 Uncertainties During the Obama Administration

The *Global Trends 2025* report issued by the National Intelligence Council predicts global developments in the year 2025. According to this report it is a relative certainty that there will be a "Rise of Asia", how both China and India develop is a key uncertainty of how that rise will take shape. However, globalization will not be a synonym for westernization anymore; the needs and demands from China and India will have an increasingly large impact on a global scale. The United States will have to adapt to a change in the power balance. In this section of the thesis a few suggestions of critics and analysts are introduced on how the US should proceed (National Intelligence Council, 2008, p. IV-V).

In the relationship between the United States of America and China it can be noted that many different issues are influencing each other. The fact that the US has a trillion dollar debt to China weighs heavily on the relationship. The shared responsibility of forty percent of the greenhouse gas emission is another. Also China's possible move to 'Chinese democracy' and/or (possible) military expansion will have a direct effect on the relationship between the US and China. The world is increasingly depending on US and Chinese action when it comes to international issues, global warming being the main example.

6.2.1 How are China and the United States going to continue their relationship?

The United States of America still has the largest economy in the world, by far the biggest military expenditures and it has the most influence in international relations and agreements. But as is described above, the US is rapidly realizing that it cannot always act solitary and the debt to China is an hard reality check. The interdependence and the impact the two nations combined have on the international community has lead Zbigniew Brzezinski (former National Security Advisor under President Carter) to call for the formation of a G-2. This means that the United States and China send high-level representatives to meetings to discuss global challenges and their solutions without other

nations being present. With a G-2 there will also be summits where both Presidents meet regularly. Henry Kissinger is calling for a deeper relationship between the two nations. A G-2 means a very close cooperation between the two countries, a cooperation that will have an impact on many nations. The question remains if the US and China are ready to cooperate on such a level, almost as a team.

In the last few months the intention of the Obama Administration to improve the relationship with China is visible. Elizabeth C. Economy and Adam Segal³ have written an article in the magazine *Foreign Affairs* why they think the formation of a G-2 is unlikely. The basis of this view is that the two nations are too different to start a G-2. In the article: *The G-2 Mirage*, the authors separate three major issues where the two states differ:

1) The different view on sovereignty. The essay clarifies that China has a different view on state's sovereignty than the United States do. Since 1912, when the age of foreign interference in China ended, the Chinese have been hesitant when it comes to infringing other government's sovereignty. China is seen as the leader of the developing world and is seen as stating an example that should be followed. China profits from that through extracting resources from countries in the Middle East and Africa

2) The strict division of politics and business. This is the earlier mentioned 'no questions asked' approach towards rogue states. Together with the view on sovereignty China legitimizes the trade it conducts with these regimes. It is the strategy of the West to link aid with political reform, as an incentive to change. China does not ask questions nor tries to interfere in a country's internal politics.

3) Beijing's increasing need for resources and export. China needs to maintain a good relationship with 'rogue states' because of the matters mentioned above. A developing country as China has an increasing need for fuel for its growing economy. Moreover, in the case of China, being the 'factory of the world', it is important to have a constant supply of resources in order to keep producing and thus to be able to sell products. A good relation with many countries creates a larger area of sale for China's products. The division between politics and business added to the increasing need for resources makes China form alliances all over the world that the US cannot approve of. The examples are: arms sales to Zimbabwe and Sudan, business relations between Chinese state owned companies and Congo, Burma and Angola: all create an impossible situation for such a bi-lateral relationship.

Instead of mainly focusing on China, Segal and Economy would like to see a more multilateral solution. The authors think that when nations work together they are better able to respond to

³ Two senior fellows at the Council on Foreign relations.

challenges created by the rise of China. A coalition of the European Union, Japan and the United States will be more effective to pressure China into a more free currency exchange rate, improving human rights, etcetera. The US will be especially effective when it is able to form alliances with the developing countries and thus improving relationships with China's closest allies. Segal and Economy do call for a closer relationship with China, but at a lower level than proposed by Brzezinski. For example in the form of high level talks conducted by the Vice President or the National Security Advisor and finding a trade orientated solution. By easing the tariffs of the sale of climate friendly high technology it can both improve the relationship and contribute to a healthier world. (Economy E, Segal A, 2009, *The limits of Engagement*)

6.2.2. After the financial crisis, how can Chinese reform affect the United States?

The Chinese Communist Party (CCP) experienced an increase in protests last year. Because of the financial crisis tens of millions of Chinese workers have lost their jobs and cannot find another. Not only workers cannot find a job, also a great number of young professionals who just entered the job market cannot find work. The irritation is growing and people are not afraid to speak up anymore, social unrest is growing. (Pei M. 2009, ¶ 5)

The main internal social stabilizer that prevented people to collectively protest and question authoritarian rule was the impressive economic growth. The government was providing jobs and many Chinese economic sectors were booming. 'Do not bite the hand that feeds you', has kept the Chinese relatively quiet. However, the Chinese economy is largely built on exports and now that the world is facing difficult financial times and consumers are buying less, exports have plummeted. It is even said that the number of imports is now bigger than exports. The Chinese Communist Party fears an uprising that will either end its rule or result in bloodshed like Tiananmen Square 1989. Minxin Pei⁴ does not believe that the current situation will end the rule of the CCP yet. She sees a strong elite within China that is able to play down escalations. Another thing that Pei thinks, which is important to keep in mind, is the fact that the Chinese regime has built up much experience with small riots and uprisings. The CCP is able and willing to react to these circumstances, plus the state intervention in social life and thus the ability to repress the people are underestimated in the West. Minxin Pei does not see any radical changes in the near future but does explain that the crisis the world is in today can have consequences for the future. If members of the elite are not being paid anymore because of a decrease in income, these members might start losing their faith in their superiors and cracks in the united elite can become visible. This might harm the communist rule in the long run. (Pei M. 2009, ¶ 11)

⁴ Senior Associate in the China Program at the Carnegie Endowment for International Peace

In reaction to the financial crisis, the Chinese government has taken countermeasures. The government has initiated a 600 billion dollar rescue plan in order to improve domestic consumption. The financial crisis has proven that the Chinese economy is too much focused on export and thus heavily dependent on foreign nations. Instead China wants to increase the domestic demand. China is one of the countries with the largest amount of savings in the world, its people however live on the brinks of poverty. Andy Xie is an economist that thinks this financial impulse is too modest and will not bring the turnaround that the government foresees. Xie has been named the 'best economist' by Hong Kong brokers in 2006 and is a phenomenon in China. He agrees that China must increase the investments in its domestic market in order to become less dependent on foreign trade. The means with which he tries to accomplish this is by dramatically changing the internal economic market, so it will benefit the people instead of the state. He calls for privatization, a free currency and the ability for cities such as Shanghai to give away obligations, all of this to enrich the people. He also knows that this will cost fortunes but he has found a means to come up with the money. He wants to fund these changes from the foreign exchange reserves that are close to two trillion dollars. Xie argues that a country with such poor people should not need to give out loans to some of the richest countries in the world. These plans worry the United States which wants to borrow more money to invest in its economy and get it back on its feet. Moreover they are afraid what this might do to the US currency (Garschagen O, 2009, *Chinezen vertrouwen voortaan op zichzelf*).

In order to implement these changes the Chinese government needs to radically change its view on the economy. According to Derek Scissors⁵ this is not realistic. According to Scissors, state intervention has grown under Hu Jintao and Wen Jiabao. He observes an increase of state influence in various economic sectors: like the interest rate, the service sector, energy sector and the exchange rate. In these sectors it is the state which decides the prices and who manipulates the rates. Laws like the New Labor Law and the Anti-Monopoly Law, which are initiated for more transparency work counterproductive. The New Labor Law is supervised by a state owned organization with a record of benefiting Chinese companies over foreign companies. And the Anti-Monopoly Law forbids domination in certain markets, but the markets where the state is well represented are exempt. Besides this, foreign investors are subject to a screening which investigates whether their investment is a threat to 'national security'. Derek Scissors recognizes that these tests are being used by many nations, but with the broad Chinese interpretation of national security it could become very increasingly hard for foreign investors. Finally, there is hardly a legal framework backing the Anti-Monopoly Law and intellectual property rights can be denied if it can be used to create a monopoly.

⁵ Asia Economics Research Fellow at the Heritage Foundation

Despite all these changes Scissors does not think President Barack Obama should be discouraged. He thinks that there should be an increase in talks between the various commissions of the United States and China. An example of this is the Strategic Economic Dialogue, initiated during the Bush Administration, Scissors wants an increase in these kinds of talks on a broader arrange of issues. The three main points where the Obama Administration should focus on are the interest rates, exchange rates and energy prices. If the Chinese government is not willing to cooperate and continues to increase the influence of the state, Scissors thinks that the Obama Administration should at least think of filing official complaints with the World Trade Organization (Scissors D. ,2009, Liberalization in Reverse).

An increase in negotiations on specialized fields such as the Strategic Economic Dialogue, might be a good way to address problems separately. However, linking concerns like the emission of greenhouse gasses, the US trade deficit and the relatively closed Chinese market policies might be more effective.

6.3 Conclusion

Concerning China, the Obama Administration still has work cut out for them. According to Minxin Pei the current government will survive the economic crisis. In these times it is important that nations know what they can expect from other governments. With a sudden change in government other countries cannot calculate how new leaders will react; will it be ‘reformers’ or ‘hardliners’?

A more domestic orientated China can make it less dependable on export. This move will decrease the influence that the United States have over the Chinese economy; now China is almost as dependent on the wellbeing of the United States as the US itself. Furthermore, an increase in the Chinese consumption means a dramatic increase in demand on the global market. Many million more mouths to feed and an increase in prosperity will mean an increase in demand for different commodities. On the Chinese scale we are talking about tens of millions of people, this increase will have its effect on global food prices and production.

There is a consensus in the United States that the talks with China should be intensified and the number of fields increased. The new Obama Administration sees that it needs China in order to face the various global challenges. China has an increasingly important role on the world stage in the twenty first century. The interdependence of the US and China, Chinese contribution to global warming and China’s rise will force the United States to keep ahead of the game.

7. Conclusion

The relationship between the United States and China has experienced many developments. At first the world was divided between communism and democracy during the Cold War. One either conformed to communism, democracy or remained neutral, there was no in-between. A change in US foreign policy from President Richard Nixon enabled the Americans and Chinese to initiate talks for the start of a relationship. The new view of the American government identified five power centers: The United States of America, the Soviet Union, Western Europe, Japan and China. Between these five power centers China was the only one isolated. Nixon felt it was too dangerous to leave a country with so much potential out of the global arena. Furthermore, China could be very useful for restraining the Soviet Union. The historic visit in 1972 was the beginning of a fruitful relationship.

Before Carter became President, there was a brief struggle for power in China after Mao Zedong's death. It was Deng Xiaoping who gained control over China. A developing China under new leadership needed the United States in order to grow, gain international recognition and protection from the Soviet Union. The US benefited from China's strategic importance, China served as a partner for the US when it came to delivering intelligence on Soviet Russia. For the normalization of the relationship concessions needed to be made. For President Carter this meant downgrading the support to Taiwan, a long time ally and protectorate of the United States. With normalizing relations Carter also granted the Most Favored Nation status to China, which was the building block of what would become the binding factor between the two countries: trade. Through trade Deng Xiaoping wanted to attract foreign investment and technology.

Despite the normalization of relations Governor Reagan initiated the Taiwan Relations Act, permitting arms sales to Taiwan. It received considerable support in the American Congress and House of Representatives and Carter did not dare to veto it. Taiwan was an important issue for China because the country was convinced that it needed to be rejoined with the mainland. A close friend to Taiwan was Governor Ronald Reagan, the Republican presidential nominee. It seemed that with Reagan as President the relationship with China was not going to be a priority for the US, but it was the strategic importance that turned things around. The strategic importance would remain important until the end of the Cold War. The trade possibilities of China also contributed to an improvement in the relationship. Trade increased the interdependence and was encouraged because of the fact that US allies were already trading with China and by attractive new business opportunities created by the reforms of Deng Xiaoping.

An important shift in the US-China relationship occurred during Reagan's successor's presidency, George Bush. During his Administration troubles within China had resulted in a student protest for political reform on Tiananmen Square in 1989. Deng's decision to declare Martial Law and end the protest by force, killing many students, sent a shockwave throughout the world. In that same year the Berlin Wall fell symbolizing the end of the Cold War. In one year the strategic importance of China was as good as gone and China had received fierce criticism on its human rights policy. George Bush had to respond to the crisis and placed various restrictions, the damage was done.

A change in the Whitehouse caused a change in policy. After 12 years of Republican government, eight years Reagan and four years Bush, it was democrat Bill Clinton who became President of the United States of America in 1992. Clinton was tough on violators of human rights and tried to force China to improve its human rights standards. The United States were the only remaining superpower after the fall of the Soviet Union and Clinton felt confident enough to link the MFN status to progress on human rights; failure to comply would result in the loss of the MFN status. However, Deng Xiaoping had initiated new economic reforms after the Tiananmen Square incident. He especially invested in the Special Economic Zones, these are the areas in which foreign companies can invest and build factories. This way foreign companies can use cheap labor to produce their products and, at the same time, increase employment in China. Deng's Special Economic Zones had become popular amongst American corporations and the corporate interest in China began to increase. The last thing these companies desired was for Clinton to take away the MFN status. A powerful lobby and minor Chinese improvements on the field of human rights resulted in Clinton not removing the MFN status. A change in policy had become visible, during the Clinton years there was more attention for the internal affairs of China. By the end of the Clinton Administration it was trade that decided the agenda.

The trade relations would become even more important during the presidency of George W. Bush. China had grown into a major economic power and the US had become increasingly dependent on products from China. China had become the 'factory of the world', a process that was quickened after the admission of China into the World Trade Organization. George W. Bush increased the dependence on China. Trade dominated the agenda, but the Americans held the opinion that China was not doing its best to open up its markets. The manipulation of its currency, the unfair subsidies of its own products and state interference in too many economic sectors were hurting the US trading position. Cheap Chinese products flooded the global markets, whilst China was keeping import relatively low. By the end of his two terms the debt of the United States to China had run up to as much as a trillion dollar and China still had not taken the satisfying measures for a more open market for foreign investors.

During the Bush Administration the consequences of industrialized countries running on fossil fuels were becoming visible. Emission of greenhouse gasses caused by burning fossil fuels were contributing to global warming, a phenomenon that affects the globe today. China's economic rise has been accompanied by a rise in its energy consumption and usage of fossil fuels. China's dependence forced the government to look for resources in other countries. It found the necessary resources in countries such as Nigeria, Congo, Zimbabwe, Sudan and Congo. The US does not approve of these relationships, because the majority of these countries are ruled by dictators, corrupt governments and/or violators of international agreements. It has been the Western tactic to accomplish political reform in these countries by linking it to aid. With the Chinese separation of politics and economics China has become a welcome trading partner to these nations. The separation of politics and economics also worried the United States in the field of global security; one of the main topics in US foreign policy. Because China also conducted arms sales with countries as Iran, which is developing a nuclear program, the US felt an immediate threat to itself and global security. The US has not managed to block the Chinese interest in Africa and the Middle East. The agenda of the US and China has narrowed over the past eight to twelve years towards trade. In the meantime China has developed itself and its actions now have an impact on a widening range of global issues. Neither China's energy dependence on fossil fuels or the emissions of greenhouse gas are likely to decrease, as fossil fuels remain the engine for economic growth. One reason that this should worry other nations is that in 2009 China has become the biggest emitter of these greenhouse gases.

However, "Change has come to America" in the form of Barack Obama. He entered the Whitehouse in 2009 and his intention to broaden the relationship with China has become visible. It is unknown to what extent China is willing to cooperate with the new direction of the US government. The Secretary of State, Hillary Clinton, has already stated that the focus lies with energy dependence and trade, but, as previously mentioned, these two issues have had great impact on other policy sectors as well. China has proven to be a tough negotiator. When it comes to internal affairs such as Taiwan, Tibet and human rights, China is not willing to look weak concerning its own sovereignty. An increase in negotiations on specialized fields such as the Strategic Economic Dialogue might be a good way to address problems individually. However, linking concerns might prove to be more effective. The relationship between the United States and China since 1969 has benefited both countries in many ways. The progress of the relationship will shape the international playing field in the future.

Work Cited

Alexander B.(1992), *The Strange Connection, US Intervention in China, 1944-1972*, New York: Greenwood Press

Bergsten C.F., Freeman C., Lardy N.R., Mitchell D.J. (2008) *China's Rise, challenges and opportunities*, Baltimore: United Book Press

Chevron, (2006) Note 2. Acquisition of Unocal Corporation, Retrieved on April 24th, 2009 from www.chevron.com

Crockatt R. (1995), *The fifty years war, The United States and the Soviet Union in World Politics, 1941-1991*, New York: Routledge

Economy E. , Segal A (2009, May, June) The limits of Engagement, *Foreign Affairs*, 88, 14-24

Elperin J. (2009, February 20th) US has Dual Task on Climate China, retrieved on April 29th, 2009, from www.washingtonpost.com

Eunjun-Cha A. (2009, February 20th) US China Trade Ties Erode Amid Accusations, retrieved on May 2nd, 2009, from www.washingtonpost.com

Faiola A. (2009, March 14th) China Worried About US Debt, retrieved on April 29th, 2009 from www.washingtonpost.com

Foot R. (1997), *The practice of Power, US Relations with China since 1949*, Oxford: Clarendon Press

Kagan R. (2008, July 24th) Robert Kagan on China's and Russia's Foreign Policy Orbits: Hugs for thugs, retrieved from <http://network.nationalpost.com>

Kalse E. Van Lent D.(2009) *Bankroet*, Amsterdam: Prometheus

Kessler G. (2005, April 8th) US , China Agree to Regulate Talks, Retrieved February 27th, 2009 from www.washingtonpost.com

Landler M. (2009a, February 11th) US Prepares To Broach Hard Issues With China, retrieved on April 25th, 2009, from www.nytimes.com

Landler M. (2009b, February 22nd) Clinton Paints China Policy With a New Green Hue, retrieved on April 27th, 2009 from www.nytimes.com

National Intelligence Council (2008, November) Global Trends 2025: A Transformed World , retrieved on March 13th, 2009 from www.dni.gov

Newhouse J. (2009, May, June) The Power of Lobbies, *Foreign Affairs*, 88, 73-93

Nixon R.M. (1967, October) Asia after Viet Nam, retrieved on 12th February from www.foreignaffairs.com

Obama B. (2006) *The Audacity of Hope, Thoughts on Reclaiming the American Dream*, New York: Three River Press

Pei M. (2009, March 12th) Will the Chinese Communist Party Survive the Crisis?, retrieved on April 27th from www.foreignaffairs.com

Peterson Institute (2005), The CNOOC case, Retrieved on April 25th, 2009 from ww.iie.com

Price D.M. (2009, May 6th) Free Trade, Green Trade, retrieved on May 2nd, 1009 from www.nytimes.com

Schama S.(2008), *De Amerikaanse Toekomst, een geschiedenis (The American Future)*, Amsterdam: Uitgeverij Contact

Schambaugh D. (2001, January/February) Facing Reality in China Policy, Retrieved February 27th, 2009 from www.foreignaffairs.com

Scissors D. (2009 May, June) Deng Undone, *Foreign Affairs*, 88, 24 -40

Smith M. (2000, October 10th) Clinton signs China trade bill, retrieved on March 15th from www.allpolitics.com

Tyler P. (1999), *A Great Wall, six presidents and China: an investigative history*, New York: Public Affairs

US Census Bureau (2009, May 12th) Foreign Trade Statistics Retrieved on April 5th, 2009 from www.census.gov

Wines M. (2009 February 27th) China Says US Distorts Facts in Report on Rights, retrieved on May 12th, 2009, from www.nytimes.com

Wong E. (2009a, May 13th) China Protests a US resolution on Tibet, retrieved on May 15th, 2009, from www.nytimes.com

Wong E., Revkin A.C. (2009b, February 5th) Experts in US and China See a Chance for Cooperation Against Climate Change, retrieved on April 26th, 2009 from www.nytimes.com

World Trade Organization (2008, April 16th) Trade Policy Review China, report by the Secretariat, Retrieved on March 13th, 2009, from www.wto.org

World Trade Organization (2008, May 21st and 23rd) Minutes of Meeting, Retrieved on March 13th, 2009 from www.wto.org

Xuefeng S. (2006), The Efficiency of China's Policy towards the United States, *Chinese Journal of International Politics*, Vol 1

