



# ANALYSIS

## THE LONG PATH TO THE CURRENT STATE OF SINO-AMERICAN RELATIONS

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### EXECUTIVE SUMMARY

Threatened by an imposing Soviet Union, Mao Zedong reached out to President Richard Nixon for the historic 1972 meetings in Beijing which led to the normalization of relations in 1979. With normalization, China was given intelligence on Soviet movements in the East and permitted the U.S. to install equipment in Western China to monitor Soviet strategic forces while, also, assisting with efforts to defeat the Soviets in Afghanistan. Starting in 1978, when Deng Xiaoping took over as China's supreme leader, China moved quickly to a market economy, with Deng's policy of economic and political reforms. Central planning and communes were replaced by a market economy, and a political system that implemented collective leadership and term limits, with a strong Communist Party in the lead. China went from one of the poorest countries in East Asia to today's second largest economy in the world.<sup>1</sup>

Although a visionary with his Reform and Opening initiative, Deng was not an advocate of democratization (free and fair elections), although seniors like Hu Yaobang, Zhao Ziyang and Wen Jiabao were advocates for democratization. The Shanghai Communique of 1972 was clear in stating that the United States acknowledged that there was "one China", and Taiwan was part of China, calling for a peaceful resolution of issues between China and Taiwan. The Tiananmen Square demonstrations in June 1989 and the government's brutal response suspended U.S. – China cooperation, which was quickly resumed by President George H.W. Bush. Xi Jinping replaced Hu Jintao in 2012 as the Party Secretary General and President of China. Xi immediately implemented an ambitious foreign policy, with the Belt and Road Initiative, while calling for "the great rejuvenation of the Chinese nation."<sup>2</sup> Often referring to China's century of humiliation, when a militarily weak China was exploited by the West, Japan and Russia, Xi has been able to stoke the strong sense of pride and nationalism in China, determined to make China the predominant global power by 2049, the centennial of the founding of the People's Republic of China.

At the upcoming 20th Party Congress in 2022, Xi has ensured that he can seek a third term as Party leader, with likely aspirations to rule for life. This and Xi's assertive and autocratic rule are in sharp contrast to Deng's policy of term limits, collective leadership and "hide your strength and bide your time."<sup>3</sup> Xi's anti-corruption campaign and his "common prosperity" exhortations have wide public support in China, but his crackdown on privately

<sup>1</sup> News Broadcast, *BBC News*, February 14, 2011.

<sup>2</sup> Joe McDonald, "How Xijiping Plans to Rejuvenate the Great China Nation." *The Christian Science Monitor*, September 9, 2021, available at <https://www.csmonitor.com/World/Asia-South-Central/2021/0909/How-Xi-Jinping-plans-to-rejuvenate-the-great-Chinese-nation>.

<sup>3</sup> David L Shambaugh, *China's Leaders: From Mao to Now* (Cambridge, UK: Polity, 2021).



owned enterprises and wealthy individuals has encountered real concern that Xi's policies could affect the market and China's economic prospects. Also, tension in relations with the U.S., and others on human rights, the South China Sea and Taiwan, while China aligns with a revanchist Russia that threatens Ukraine after annexing Crimea and severing Georgia, has the potential of the world viewing China as part of a Russian alliance that threatens and intimidates smaller sovereign nations.

## INTRODUCTION

The November 2021 virtual summit of President Joe Biden and Chinese President Xi Jinping captured the essence of the bilateral relationship, with Biden expressing concern that relations “do not veer into conflict, whether intended or unintended” and Xi cautioning that encouraging Taiwanese independence would be “playing with fire.”<sup>4</sup> How did this fifty-year relationship, that started with President Nixon's visit to China in 1972, followed by the normalization of relations in 1979 and decades of strategic cooperation, spiraling bilateral trade and investment and hundreds-of-thousands of Chinese students in U.S. universities, devolve to the current low of potential conflict? This fifty-year relationship initially focused on defeating the common enemy: the Soviet Union. When the Soviet Union imploded in 1991, the assumption, then, was that a more prosperous and developing China would move toward democratization, despite early pronouncements from Deng Xiaoping that Reform and Opening dealt mainly with economic and political reforms, with movement toward a market economy with less Central control. And the issue of Taiwan, foremost on China's agenda since the Nixon visit, was kicked down the road, despite instances when conflict over Taiwan was (and is) a real possibility. Moreover, dealing with an assertive Xi, with a China aligned with Russia, is a challenge requiring greater attention and creative statesmanship. Ironically, despite the tension in U.S. – China relations, bilateral trade and investment with China continues to rise.<sup>5</sup>

## A COMMON ENEMY

In the Summer of 1969, the Soviet Union had 42 divisions – over one million troops – on their border with China, with indications that Moscow was considering a nuclear strike against Chinese nuclear facilities. That March, Chinese and Soviet forces clashed on Zhenbao Island on the Ussuri River, with both sides taking casualties. The conflict ended in two weeks, averting an escalation of hostilities with the potential use of nuclear weapons.<sup>6</sup>

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<sup>4</sup> Julian Borger, “Biden-Xi Summit, *The Guardian*, November 15, 2021.

<sup>5</sup> Julian Borger, “Biden-Xi virtual summit: leaders warn each other over future of Taiwan,”

*The Guardian*, November 16, 2021, available at <https://www.theguardian.com/us-news/2021/nov/16/xi-biden-virtual-summit-us-china-conflict-taiwan-hong-kong>.

<sup>6</sup> Henry Kissinger, “The Road to Reconciliation,” *On China* (London, England: Penguin Books, 2012), p. 217.

Chairman Mao Zedong had reached out to four Peoples Liberation Army (PLA) marshals – Chen Yi, Nie Rongzhen, Xu Xiangqian and Ye Jianying – and asked that they study the situation with the Soviet Union and provide him with recommendations. They proposed an active military defense and politically, an active offense. They concluded that the “last thing the U.S. imperialists were willing to see is a victory by the Soviet revisionists.”<sup>7</sup>

Mao decided to reach out to the United States, convinced that enlisting a far-away enemy against a nearby enemy was the best strategy for dealing with the Soviet Union. Mao, then, invited Nixon to visit China, an invitation Zhou Enlai passed to Kissinger during his secret trip to China in February 1971.

Nixon, who shared Mao’s distrust of the Soviet Union, visited China in February 1972, and based on his meetings with Mao and Zhao, agreed to a Shanghai Communique that committed the United States and China to work towards normalization of relations, acknowledging a One-China policy and expanding people-to-people contacts and trade opportunities. According to The National Security Archives electronic briefing book, “documents show that general agreement on the Taiwan problem was the sine qua non for Nixon’s trip and diplomatic normalization generally.” In Kissinger’s talk with Zhou on July 9 he said, “we are not advocating a two-China solution or a one-China one-Taiwan solution.”<sup>8</sup> This met China’s demands regarding the status of Taiwan. With that understanding, the normalization process proceeded, first with a United States liaison office in Beijing in 1975, followed by normalization of relations and an embassy in 1979.

## **NORMALIZATION AND COOPERATION AGAINST AN AGGRESSIVE SOVIET UNION**

On December 15, 1978, the White House announced plans to normalize relations with China and on January 1, 1979, formal diplomatic relations were established. Chairman Deng Xiaoping, who took over in 1978 as China’s paramount leader, after the death of Mao in 1976 and replacing Hua Guofeng as Chairman, visited the United States from January 29-31, 1979, and wowed Americans with his openness and humility. During Deng’s visit he informed President Jimmy Carter that China was going to teach Vietnam a lesson, which happened on February 18 when China’s PLA entered Vietnam. After some fierce battles, fighting ceased and Chinese forces withdrew back to China.

During this Sino-Vietnamese conflict, President Carter’s National Security Advisor, Zbigniew Brzezinski, provided China’s ambassador to the United States with updated intelligence on Soviet support to their Vietnamese allies. And it was in this context that Deng had agreed to expand cooperation with the United States in collecting and sharing intelligence on the Soviet Union. Given that the Tackman collection sites that monitored

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<sup>7</sup> Ibid., p. 204.

<sup>8</sup> William Burr, “The Beijing-Washington Back-Channel and Henry Kissinger’s Secret Trip to China,” National Security Archive Electronic Briefing Book No. 66, February 27, 2002, available at <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB66/>.

Soviet strategic capabilities in Northern Iran were no longer available to the United States after the Shah was toppled by Ayatollah Khomeini in 1979, Deng approved the installation of collection sites in Western China to monitor the Soviet Union. Indeed, this was a tense period with a Soviet Union that was on the march in Vietnam, Angola, Ethiopia, Mozambique, Yemen, Libya, Czechoslovakia, Nicaragua, Grenada and in 1979, Afghanistan. Director of Central Intelligence (DCI) Stansfield Turner visited China in July 1981 to further discuss the Soviet's December 1979 invasion of Afghanistan, at a time when Egyptian arms were getting to the Mujahedin through Pakistan and its intelligence service, the ISI. The United States was orchestrating this assistance, with a budget of \$50 million.<sup>9</sup>

National Security Decision Directive (NSDD) 32 of March 1982 said the United States would seek to neutralize Soviet control over Eastern Europe and authorized the use of covert action and other means to support anti-Soviet organizations in the region. NSDD-75 said the United States should not just coexist with the Soviet Union but change it fundamentally. Bill Casey replaced Turner as DCI with the election of Ronald Reagan. Casey, a veteran of the Office of Strategic Services (OSS) from World War 2 and an understudy of "Wild Bill" Donovan, who headed the OSS, was an avid anti-communist and, working with Secretary of Defense Caspar Weinberger, Reagan adviser William Clark, and others, took the lead in the implementation of these national security directives, determined to defeat the Soviet Union in Poland, Czechoslovakia, and Afghanistan. NSDD-166 in 1985 spoke of expelling Soviet forces from Afghanistan, where the Kremlin was spending between \$4-\$5 billion per year. With this new directive, efforts to support the Mujahedin increased exponentially and, working primarily with Saudi Arabia, Pakistan and China, the Soviets were now spending more money in Afghanistan and taking significant casualties, affecting the morale of Soviet troops in Afghanistan and families in the Soviet Union. The approval to provide Stinger missiles to the Mujahedin was the decisive upgrade in weaponry that eventually convinced Moscow that victory was not possible, and withdrawal was its only viable option.<sup>10</sup>

In November 1986, Soviet leader Mikhail Gorbachev made the decision to withdraw all Soviet combat troops by the end of 1988. He said Afghanistan had become "a bleeding wound."<sup>11</sup> The Soviets eventually withdrew all soldiers in February 1989 and the last Soviet aircraft left Bagram Airfield on February 3, in line with the Geneva Accords of April 1988 between Afghanistan and Pakistan, with the Soviet Union and the United States as guarantors.

President George H.W. Bush replaced Reagan in January 1989 and initially ordered a strategic policy review of relations with the Soviet Union and met with Gorbachev in Malta in December 1989. Discussions dealt with the Strategic Arms Reduction Talks (START) and developments in Eastern Europe, with Bush encouraging Gorbachev to move forward with

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<sup>9</sup> Robert Michael Gates, "1979 Cold War, Hot War-East War, West War," *From The Shadows: The Ultimate Insider's Story of Five Presidents and How They Won the Cold War* (New York, NY: Simon & Schuster Paperbacks, 2006), pp. 122-123.

<sup>10</sup> Peter Schweizer, *Victory: The Reagan Administration's Secret Strategy That Hastened the Collapse of the Soviet Union* (New York, NY: Atlantic Monthly Press, 1994).

<sup>11</sup> "Afghanistan and the Soviet Withdrawal 1989 – 20 Years Later." *The New York Times*, February 15, 2009.

democratic reforms. The following two years proved disastrous for Gorbachev, with a failed coup in August 1991 and his resignation as head of the Communist Party shortly thereafter. Ukraine and Belarus declared independence and the Baltic states sought international recognition as sovereign states. On December 25, 1991, Gorbachev resigned as president of the Soviet Union, with Boris Yeltsin president of a Russian state that was no longer a communist monolith.

The Soviet Union, the common enemy of the United States and China, was defeated.

## **DENG XIAOPING'S REFORM AND OPENING**

When Deng took over in December 1978 at the Third Plenum of the Eleventh Party Congress, he inherited a poor and ravaged country. The toll from Mao's disastrous Great Leap Forward, which killed millions due primarily to starvation and the riotous Cultural Revolution, from 1966-76, was unimaginable. Deng, purged twice by Mao and the radical Gang of Four, headed by Mao's wife, Jiang Qing, was now in charge. His vision of market-oriented reforms and opening to the outside world for investment, technology and trade met with opposition from some in leadership positions, but Deng persisted. His immediate decisions dealing with decollectivization of agriculture, land reform and free markets were well-received by the public, as was his decision to encourage foreign investment in China, while encouraging Chinese students to study in the United States.

Deng implemented an ambitious political reform program that called for collective leadership and term limits, with a strong Communist Party in the lead. Deng reached out to Party elder Chen Yun to work with him, literally as his deputy, and to Zhao Ziyang – the first Party secretary to Sichuan Province whose rural reform policies became the model in Deng's efforts to dismantle Mao's people's communes to help implement his economic vision for China. Deng often referred to the four little dragons – Hong Kong, Singapore, South Korea and Taiwan – as economic models for a poor China. At a Politburo meeting in March 1979, Chen was also blunt in his assessment: "We have 900 million people and over 80 percent are farmers. We are very poor."<sup>12</sup>

Chen working with Deng established Special Economic Zones, later called Economic and Technological Development Zones, encouraging high-tech foreign firms to invest in these zones. In 1979, American Motors entered discussions with China to build Jeeps in China, with the Jeep Cherokee XJ coming off the production line in 1985. Guangdong Province, the historic Southern gate into China, also took the lead, encouraging foreign investment, issuing bonds, introducing privately owned taxis and letting the market take the lead for planning purposes. The Los Angeles Olympics was a model that encouraged Guangdong to build a

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<sup>12</sup> Ezra F. Vogel and Deng Xiaoping, *Deng Xiaoping and the Transformation of China* (Cambridge, MA: Belknap Press of Harvard University Press, 2013), p. 429.

state-of-the-art stadium for the Asian games in 1990, which probably helped with the selection of Beijing for the Olympics in 2008.<sup>13</sup>

Although the 13<sup>th</sup> Party Congress in 1987 endorsed and committed to pushing forward with Deng's reforms, there continued to be some leadership opposition to the speed of Deng's economic reforms and opening to the outside. Chen Yun, although highly respected by Deng, was more cautious and advocated for more of a central government role, rather than relying solely on the market, for economic planning purposes. Elders like Li Xiannian supported Chen, but Deng prevailed.

## DEMOCRATIZATION

According to Zhao Ziyang, the Party Secretary General installed by and then replaced by Deng during the Tiananmen demonstrations in June 1989, Deng was a strong advocate for one-party rule. He was opposed to a multi-party system and believed power should be in the hands of one or a few, not a western tripartite separation of powers. Indeed, stability trumped everything else and to maintain stability, a dictatorship was the ultimate weapon. Thus, Deng's reform and opening had nothing to do with democratization. It dealt exclusively with growing the economy and opening to the outside world for economic development purposes, as China moved toward a market economy. The reforms Deng advocated were administrative reforms, dealing with regulations, organizations and methodology and its effect on the general morale.

Zhao said he was an advocate for a parliamentary democracy, with the rule of law, not the rule by men. This was not the view of Deng. Zhao had replaced Hu Yaobang as the Party secretary general in 1987 when Deng removed Hu, accusing Hu of indulging in bourgeois liberalization and advocating democracy. Zhao was replaced by Deng during the Tiananmen demonstration in June 1989, accused of supporting the student demonstrators and splitting the party. He was under house arrest until his death in January 2005.<sup>14</sup>

Despite Deng's great success with economic reform and opening, he did not advocate for democratization. His removal of Party Secretary Generals Hu Yaobang and Zhao Ziyang was further proof that Deng's focus was on establishing a dynamic market economy, with a politically efficient government that had a policy of collective leadership and term limits. Premiers Wen Jiabao and Zhu Rongji, like Hu and Zhao before them, were advocates for democratization, with free and fair elections, which China initially pursued with village elections.

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<sup>13</sup> Ezra F. Vogel, "Experiments in Guangdong and Fujian," *Deng Xiaoping and the Transformation of China*, Chapter 15, op. cit.

<sup>14</sup> Zhao Ziyang and Roderick MacFarquhar. "Deng's View of Political Reform," *Prisoner of the State: The Secret Journal of Zhao Ziyang* (London: Pocket Books, 2010), pp. 247–53.

## TAIWAN

In October 1971, Henry Kissinger met with Premier Zhou Enlai to prepare for Nixon's visit to China. Zhou's first request was that the Taiwan issue had to be discussed and resolved first. Zhou said the United States needed to "recognize the PRC as the sole legitimate government of China and not make any exceptions – and accept that Taiwan was an inalienable part of China."<sup>15</sup> Continuing, Zhou said the United States had to withdraw all its armed forces and dismantle all its military installations in Taiwan and in the Taiwan Straits within a limited time. Eventually, the U.S.-Republic of China Mutual Defense Treaty would cease to exist. According to Kissinger, Zhou's comments were familiar, having heard it during 136 Warsaw meetings of the ambassadors from the United States and China. Moreover, at the time of his secret trip to China, there were no differences on the issue of "one China" between China and Taiwan, given that Kuomintang General Chiang Kai-shek was president of Taiwan.<sup>16</sup>

During the Nixon visit to China, from February 21-28, 1972, Kissinger spent considerable time working on a joint communique acceptable to both Nixon and Mao. It took two days of work with Foreign Minister Qiao Guanhua to craft an acceptable final section to the Shanghai Communique that read:

The U.S. side declared: The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all U.S. forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes.<sup>17</sup>

The joint (U.S.-China) Shanghai Communique continues to be the principal document dealing with the issue of Taiwan. The second joint communique dealt with the establishment of Diplomatic Relations on January 1, 1979. The third communique, on August 17, 1982, dealt with arms sales to Taiwan and states, inter alia,

The United States Government states that it does not seek to carry out a long-term policy of arms sales to Taiwan, that its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution. In so stating, the United States

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<sup>15</sup> Burr, op. cit.

<sup>16</sup> Henry Kissinger, "Triangular Diplomacy and the Korean War," *On China*, op. cit., pp. 113-149.

<sup>17</sup> Henry Kissinger, "Touching the Tiger's Buttocks," *On China*, op. cit.

acknowledges China's consistent position regarding the thorough settlement of this issue.<sup>18</sup>

President Ronald Reagan, a friend of Taiwan from his days as governor of California, was concerned with the third communique and the message it conveyed to Taiwan. To reassure Taiwan and the United States Congress that despite normal relations with China, the United States was not abandoning Taiwan, the president's staff at the White House, in coordination with Taiwan, secretly negotiated the so-called Six Assurances to restrict implementation of the third communique on arms sales. The assurances were reinforced by a memorandum placed in the files of the National Security Council that tied observance of the third communique to the peaceful solution of differences between China and Taiwan. The six assurances are: affirmation that the United States had not set a specific date to end arms sales to Taiwan; had not committed to consulting with Beijing on such sales; had not committed to amending the Taiwan Relations Act; had not altered its position regarding Taiwan's political status and would neither pressure Taipei to negotiate with Beijing nor serve as a mediator.

The U.S. Congress conveyed a similar message to Taiwan and China with the Taiwan Relations Act (TRA) of 1979, a law passed by Congress after the United States formally established relations with China on January 1, 1979. These are a few sentences in the TRA that captured Congress's concern:

...to make clear that the United States decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means; to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States; to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people of Taiwan.<sup>19</sup>

Taiwan president Chiang Ching-Kuo died in 1988, succeeded by his vice president, native-born Lee Teng-hui. Lee was the first president of Taiwan to visit Southeast Asia in 1989 and met with Singapore Prime Minister Lee Kuan Yew. Singapore facilitated communication between China and Taiwan, thus, making Singapore the first stop in his travels was appropriate. Prime Minister Lee was impressed with Lee's geopolitical knowledge but concerned with his disdain for China's leaders and his disregard for Chinese history and culture. Singapore hosted the 1993 talks between China and Taiwan, with Koo Chen-fu representing Taiwan and Wang Daohan representing China. The talks were

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<sup>18</sup> Kissinger, *op. cit.*, p. 383.

<sup>19</sup> "Taiwan Relations Act," Public Law 96-8, 22 USC 3301 (1979).



unproductive, with China wanting to talk about reunification and Taiwan talking only about administrative issues, refusing to talk about reunification.<sup>20</sup>

Singapore Prime Minister Lee, who met often with senior Chinese leaders, wrote in his memoirs published in 2000 that no Chinese leader can survive if he is seen to “have lost Taiwan.” He goes on to say “that the U.S. may be able to stop China from any force for another 20 to 30 years. With that time, China is likely to develop the military capability to control the Straits. It may be wiser, before the military balance shifts to the mainland, to negotiate the terms for an eventual, not an immediate, reunification.”<sup>21</sup>

In January 1995, President Jiang Zemin personally proposed to negotiate all issues with Taiwan on an equal basis, on the premise that there is one China and Taiwan is part of China. Jiang was hoping for movement toward reunification with Taiwan, which with reversion of Hong Kong and Macao to China, in 1997 and 1999, would have been historical accomplishments during his tenure. The visit of Taiwan President Lee Teng-hui to the United States in 1995 to make a speech at his alma mater at Cornell University shelved this Jiang initiative. China was irate that the United States issued a visa to Lee, having received reassurances from Secretary of State Warren Christopher that the Clinton Administration was opposed to issuing a visa to Lee. The U.S. Congress voted on this issue and demanded that the Clinton Administration issue the visa. Lee’s speech at Cornell angered Beijing, given that he spoke of Taiwan as a democratic sovereign nation and for the first time said it was the Republic of China on Taiwan.<sup>22</sup>

In 1996, the United States deployed two aircraft carrier battle groups to the vicinity of the Taiwan Strait in response to Chinese military exercises in March, which included firing missiles into waters 20 miles from Taiwan’s coast and on March 13 conducting another missile test and a joint ground, air and naval exercise. China’s attempts to intimidate Taiwan, as they prepared for the first direct presidential election on March 23, failed. Lee Teng-hui was elected, becoming Taiwan’s first popularly elected president.

Tension with China over U.S. relations with Taiwan have intensified over the years. The subject of weapons sales to Taiwan is a recurring issue with China. The administrations of Carter, Reagan, George H. W. Bush, Clinton, George W. Bush, Obama and Trump all have been accused by China of violating the third joint communique of 1982. China complained about the 150 F-16s sold during the George H.W. Bush Administration, the eight diesel-electric submarines in the George W. Bush administration, the retrofitting of 145 F-16 A/B aircraft in the Obama Administration and a myriad of other arms provided to Taiwan since 1979.

China’s recent provocative actions against Taiwan have escalated, with hundreds of Chinese war planes entering Taiwan’s air defense zone. Taiwan’s president Tsai Ing-wen has protested and said Taiwan would “do whatever it takes to defend itself.” In a recent essay in *Foreign Affairs* magazine, Tsai warned that there would be catastrophic consequences for

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<sup>20</sup> Lee Kuan Yew, “Deng Xiaoping’s China,” *From Third World to First: The Singapore Story, 1965-2000: Memoirs of Lee Kuan Yew* (Singapore: Marshall Cavendish Editions, 2015).

<sup>21</sup> *Ibid.*, p.633.

<sup>22</sup> Susan L. Shirk, “Taiwan,” *China: Fragile Superpower* (Oxford: Oxford University Press, 2007), pp. 181–211.

peace and democracy in Asia if Taiwan were to fall to China: “It would signal that in today’s global contest of values, authoritarianism has the upper hand over democracy.”<sup>23</sup>

Taiwan is a flashpoint for potential military conflict with China. We saw this in 1996 and we are seeing it now. Taiwan is no longer an issue we can “kick down the road.”

## CHINA’S ECONOMIC RISE

In 1978, when Deng took over as China’s supreme leader, he inherited a poor and struggling China. The toll from the disastrous Great Leap Forward and Cultural Revolution was profound. Deng’s initial and primary focus was economic reform and opening. Working with Chen Yun, Hu Yaobang, Zhao Ziyang, and others, he was able to move China in a different direction, toward a market economy that focused on technology, innovation and meritocracy, and a system that sought foreign direct investment and interaction primarily with U.S. companies and universities. Thousands of Chinese students were sent to colleges and universities in the United States, with the goal that a good percentage would return to China to help build a strong and self-reliant economy.

From a poor and struggling China emerged a China with a Gross Domestic Product (GDP) of \$15.6 trillion in 2020, only second to the United States. The World Bank adjusted its forecast for China’s economic growth in 2021 from 8.5 to 8% and for 2022 from 5.4 to 5.1%. Trade in goods and services with the United States was \$615.2 billion in 2020, with the United States importing from China \$450.4 billion.<sup>24</sup> In 2020, U.S. Foreign Direct Investment in China was \$123.9 billion, a 9.4% increase from 2019.<sup>25</sup>

In 1979, American Motors entered discussions with China about a partnership to manufacture Jeeps in China. There are now approximately 338 U.S. companies in China, with a 59% increase in U.S. investment in China in 2021.<sup>26</sup>

In February 2021, Xi Jinping said China had eradicated extreme poverty and that over the past eight years, nearly 100 million people have been lifted out of poverty. There is now a growing middle class in China, although demographic issues persist, mainly due to China’s past “one child” policy.

In 2020/2021, there were 317,000 Chinese students studying at U.S. colleges and universities. A high percentage of these students were studying mathematics and computer science. This is a decrease from 372,532 Chinese students in 2019/2020. The decrease

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<sup>23</sup> Tsai Ing-wen, “Taiwan and the Fight for Democracy,” *Foreign Affairs*, November/December 2021, available at <https://www.foreignaffairs.com/articles/taiwan/2021-10-05/taiwan-and-fight-democracy>.

<sup>24</sup> Broadcast, *National Public Radio*, September 23, 2021.

<sup>25</sup> Emily Feng, “U.S. Businesses in China Confident despite Pandemic and Stagnant Bilateral Relations,” *National Public Radio*, September 23, 2021.

<sup>26</sup> Broadcast, *National Public Radio*, September 23, 2021.

apparently was due to the coronavirus and schools going virtual. It's also possible that the decrease was due to tension in the U. S.- China bilateral relationship.<sup>27</sup>

Despite the political tension in our relationship with China, U.S. investment in China continues to increase. And despite the concern with intellectual property theft by China, U.S. companies remain in China, continuing to get a return on their investment and, for many companies, viewing intellectual property theft as the cost of doing business. The U.S. trade deficit with China, approximately \$285.5 billion,<sup>28</sup> continues to be actively negotiated, to get China to import more goods and services from the United States.

## **TIANANMEN, BELGRADE EMBASSY BOMBING AND THE EP-3 INCIDENT**

In mid-April 1989, former Party Secretary General Hu Yaobang died and on the day of his funeral, April 22, students and others gathered at Tiananmen Square demanding political and economic reforms. The numbers in the square increased to thousands and at the end of May martial law was declared. The PLA, with the Western media filming developments due to their presence in Beijing to cover the visit of Soviet leader Gorbachev, started to move toward the Square. On June 4<sup>th</sup>, the PLA moved into Tiananmen, reportedly killing hundreds who obstructed their movement – all captured on video by the foreign press. Once at the Square, the remaining students and others disbanded.<sup>29</sup>

The United States and others criticized China for the killings, with President George H.W. Bush imposing sanctions, banning arms sales, halting all technical transfers to China, and suspending high-level exchanges. The following month, the media reported that National Security Adviser Brent Scowcroft secretly visited China to “get the relationship back on track.”<sup>30</sup> In his meeting with Deng Xiaoping, Deng was unapologetic and defiant to the point of criticizing the United States for fomenting the demonstrations. A subsequent visit in December to Beijing by Scowcroft captured Scowcroft toasting his Chinese host at a banquet, which angered the American people. Bush was criticized for being soft on China.

On May 7, 1999, during NATO military action against Yugoslavia, a U.S. B-2 stealth warplane inadvertently bombed the Chinese Embassy in Belgrade, killing three Chinese officials. The mission's intent was to bomb the Yugoslav Federal Directorate for Supply and Procurement, an adjacent building. The coordinates were wrong, and President Clinton immediately apologized, saying it was an unfortunate accident. There were massive anti-U.S. demonstrations in Beijing and other cities, with significant damage done to the U.S. embassy in Beijing and its consulates in Shanghai and Chengdu. The United States provided

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<sup>27</sup> C. Textor, “China- Statistics & Facts,” April 28, 2020, available at <https://www.statista.com/topics/753/china/#:~:text=China%20is%20the%20world&#39;s%20second,United%20States%20in%20that%20year>.

<sup>28</sup> Broadcast, *National Public Radio*, September 23, 2021.

<sup>29</sup> Henry Kissinger, “Reagan and the Advent of Normalcy,” *On China*, op. cit.

<sup>30</sup> Christopher Preble, “When Brent Scowcroft Saved the US-China Relationship,” *The Hill*, August 24, 2020, available at <https://thehill.com/opinion/international/513333-when-brent-scowcroft-saved-the-us-china-relationship>.

compensation to China for its losses, but the Chinese government never publicly agreed with the U.S. contention that this was a mistake and not deliberate. Reportedly, most of the people in China still believe the bombing was deliberate.<sup>31</sup>

On April 1, 2001, a Navy EP-3 signals intelligence aircraft and a Chinese J-8 interceptor fighter jet collided in international airspace over the South China Sea, killing the Chinese pilot and crippling the U.S. Navy plane, which was forced to make an emergency landing at a Chinese airfield on Hainan Island. The 24-person crew was detained and interrogated for eleven days and then returned to the United States. The plane was carefully inspected by the Chinese and returned in July, after the United States arranged for Lockheed Martin technicians to dismantle and return it in pieces. What was also especially concerning was the inability of President George W. Bush to reach President Jiang Zemin immediately after the incident to discuss the accident and secure the return of the crew and plane.<sup>32</sup>

These are just a few of the incidents that involved issues between the United States and China. In each instance, leadership communications were less than perfect, often with China either accusing the United States of instigating demonstrators at Tiananmen, or deliberately not informing the Chinese public that the bombing of their embassy in Belgrade was an accident or the humiliation of a U.S. president unable to reach his counterpart in China to discuss the EP-3 incident and arrange for the return of the U.S. crew. The U.S. embassy in Beijing is well-staffed with competent officers, as are our consulates in China. The same is true for China, with its embassy in Washington and consulates throughout the United States. Thus, there should be good communications between our countries. The problem, however, is at the leadership level in Beijing, when for political reasons information to the Chinese people is denied or distorted.

## XI JINPING

Deng Xiaoping, and his successors Jiang Zemin and Hu Jintao, believed that it would be wise for China to “hide its strength and bide its time” when China was a rising power, solicitous of foreign direct loans and technology and concerned that countries might be fearful of a strong China. In 2013, after succeeding Hu Jintao in 2012, President Xi announced his ambitious foreign policy initiative: One Belt One Road initiative (OBOR), also known as the Belt and Road Initiative (BRI), connecting Asia with Africa and Europe via land and navigation routes – a contemporary Silk Road. The BRI touches over seventy countries and international organizations and commits China to investing billions in loans to many of these countries, mainly for infrastructure projects. According to the 2021 China-Africa Economic and Trade Relationship Annual Report over the last twelve years China established 25 economic and

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<sup>31</sup> Daniel Williams, “Missiles Hit Chinese Embassy,” *The Washington Post*, May 8, 1999, available at <https://www.washingtonpost.com/wp-srv/inatl/longterm/balkans/stories/belgrade050899.htm>.

<sup>32</sup> Elisabeth Rosenthal and David Sanger, “U.S. Plane in China after It Collides with Chinese Jet,” *The New York Times*, April 2, 2001, available at <https://www.nytimes.com/2001/04/02/world/us-plane-in-china-after-it-collides-with-chinese-jet.html>.

trade cooperation zones in sixteen African countries.<sup>33</sup> In comparison, A *Statistica* Research Department report stated that U.S. Foreign Direct Investment in Africa decreased from more than \$60 billion in 2014 to \$47.5 billion in 2020.<sup>34</sup>

Xi's vision of "making China great again" and calling for "the great rejuvenation of the Chinese nation" focuses heavily on geoeconomics, using China's economic tools, backed by a strong military, to accomplish its regional and global political objectives. This is a strategy to reclaim China's past greatness, as the "Middle Kingdom," with 5,000 years of history and culture, when China was the dominant power. China's membership in the Shanghai Cooperation Organization, an alliance that deals with economic, political and security issues and its application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership are pieces to Xi's goal of establishing alliances and relationships that will permit China to become the predominant power in the region and eventually in the world.<sup>35</sup>

Xi often reminds the Chinese people – and the world – of the Century of Humiliation, from 1839-1949 when China was exploited by the West, Japan and Russia. Chinese students study this period of humiliation when portions of China were seized by foreign powers primarily because of China's technological and military weaknesses. Xi has made it clear to the Chinese people that this will never happen again; that Beijing will ensure that China's territorial integrity, especially its border provinces and adjacent seas, is secure with advanced technology and military capabilities; that the Chinese Communist Party is at the vanguard and will ensure that the "China Dream" – to be rich, powerful and respected – is accomplished; that China will never again be humiliated; and that China will never forget the national humiliation – (*Wu Wang Guo Chi*).

Xi delivered a fiery speech at the centennial of the founding of the Chinese Communist Party on July 1, 2021: "The Chinese people will never allow foreign forces to bully, oppress or enslave us. Whoever nurses delusions of doing will crack their heads and spill blood on the Great Wall of steel built from the flesh and blood of 1.4 billion Chinese people."<sup>36</sup>

According to Xi, on the 100<sup>th</sup> anniversary of the founding of the People's Republic of China on October 1, 2049, China will be a fully developed, rich and powerful nation. This and other pronouncements from Xi have been embraced by the Chinese people. Nationalism is strong in China. This was evident in May 1999 when tens of thousands of students, workers, academics, and government officials aggressively protested the United States attacking the

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<sup>33</sup> Chinese Academy of International Trade and Economic Cooperation (CAITEC) and China-Africa Economic and Trade Promotion Council, *China-Africa Economic and Trade Relationship Annual Report 2021*, available at <https://res.caidev.org.cn/rc-upload-1636704478930-33-1636706776439.pdf>.

<sup>34</sup> "Direct investment position of the U.S. in Africa 2000-2020," Statistica Research Department, August 4, 2021, available at <https://www.statista.com/statistics/188594/united-states-direct-investments-in-africa-since-2000/>.

<sup>35</sup> Graham Allison, "What Xi Jinping Wants," *The Atlantic*, May 31, 2017, available at <https://www.theatlantic.com/international/archive/2017/05/what-china-wants/528561/>.

<sup>36</sup> Chris Buckley and Keith Bradsher, "Marking Party's Centennial, Xi Warns That China Will Not Be Bullied," *The New York Times*, July 1, 2021, available at <https://www.nytimes.com/2021/07/01/world/asia/xi-china-communist-party-anniversary.html>.

U.S. embassy and consulates for the bombing of the Chinese embassy in Belgrade. Today, nationalism permeates the country and fuels Xi's ambitious foreign policy agenda.

## ISSUES AND CHALLENGES FOR A CHINA RULED BY XI JINPING

At the 20<sup>th</sup> Party Congress in late 2022, Xi Jinping has ensured that he can seek a third five-year term as Party General Secretary. It is fair to assume that Xi aspires to be China's President for life, in sharp contrast to Deng Xiaoping's policy of term limits and cautioning against the cult of personality that was emblematic of Mao Zedong's reign and the havoc caused by the Cultural Revolution from 1966-1976.

At China's 13<sup>th</sup> National People's Congress, in March 2018, presidential term limits were abolished, and a powerful new government agency was incorporated into China's constitution: the National Supervisory Commission, headed by Yang Xiaodu, an aide to Xi. This is a notable expansion of Xi's anti-corruption campaign, which started in 2013 and was responsible for the removal and imprisonment of hundreds of thousands of former mid-level and senior officials: army generals, members of the Central Committee, to include Bo Xilai, a powerful and charismatic party chief who once was considered a rival to Xi for leadership of the Party; and Zhou Yongkang, who, as secretary of the Central and Legal Affairs Commission, oversaw the security services and law enforcement while also a member of the Politburo Standing Committee, China's highest decision-making body. Corruption in China has always been a problem; thus, the public has been supportive of this anti-corruption campaign. The issue, however, is using the campaign for political purposes, to ensure total loyalty to Xi.<sup>37</sup>

China's economic rise has been impressive, with projections that by 2030 China's GDP will surpass the United States. Currently, there are concerns that China's economy will not grow at this rate. The Chinese Academy of Social Sciences expects annual growth to slow to 5.3% in 2022 from 8% in 2021. Recent defaults in China's property sector are concerning. Recent media coverage of the government's actions against China's most productive and lucrative private-sector individuals and companies have unnerved many in the private sector, concerned with Xi's views on permitting China's market economy to continue to function unimpeded by a planned economic system, controlled by the Party.<sup>38</sup>

A recent *People's Daily* article by Qu Qing-shan, a member of the Central Committee, was surprising in its praise of Deng Xiaoping's "reform and opening" and his criticism of Mao's Cultural Revolution, which appeared to be a rebuke of Xi, who wasn't mentioned in the article. Deng was praised in another article published by *Liberation Daily*, a major paper, by a leading member of the Party School in Shanghai, Hu Wei, who said Deng correctly "left

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<sup>37</sup> Jamie P. Horsley, "What Is so Controversial about China's New Anti-Corruption Body," *The Diplomat*, May 30, 2018, available at <https://thediplomat.com/2018/05/whats-so-controversial-about-chinas-new-anti-corruption-body/>.

<sup>38</sup> "Chinese govt thinktank proposes growth target of above 5% for 2022," *Reuters*, December 6, 2021, available at <https://www.reuters.com/markets/asia/chinas-economy-expected-grow-53-2022-says-govt-think-tank-2021-12-06/>.

socialism” and the “planned economic system” and replaced it with a market system.<sup>39</sup> Articles of this type, praising Deng and subtly rebuking Xi may be indicative of the concern of some in the Party that Xi’s autocratic control of the Party and country could impede China’s economic growth.<sup>40</sup>

China’s alliance with Russia is a marriage of convenience since there is considerable historical distrust between Beijing and Moscow. But for economic and geopolitical reasons this relationship has developed into a powerful alliance. In 2021, China’s purchase of Russian pipeline gas (a \$400 billion deal signed in 2014 to build the Power of Siberia 1 pipeline which went operational in 2019) was 6.6 million tons, an increase of 2.95 million tons. Projections are that China will be importing more gas from Russia, using this pipeline and a second pipeline (the Power of Siberia 2 going through Mongolia) that could be signed during the February 2022 Winter Olympics in Beijing.<sup>41</sup> For China, having access to this gas ensures that if gas imports using maritime routes through the Strait of Malacca are cut off with a naval blockade, China would have this pipeline-delivered gas as an integral part of its energy security policy. For Russia, it ensures a market in China, for needed revenue but also if the Nord Stream 2 pipeline to Germany, completed and ready to go operational, is halted due to developments with Ukraine or other geopolitical issues that may result in sanctions imposed on Russia. Of course, for China, in addition to having access to needed gas from Russia, acquiring Russian sophisticated military technology – Su-35 combat aircraft, S-400 air defense systems, submarine technology, etc. – is an inducement for staying aligned with Russia.<sup>42</sup>

In January 2022, China, Russia, and Iran held their third joint naval exercise together in the Indian Ocean and in October 2021, China and Russia held their first naval exercise in the Western Pacific, with a flotilla of 10 warships circling around Japan’s main island. These naval exercises further developed the China-Russia comprehensive strategic partnership of coordination for the new era, according to Rear Admiral Bai Yaoping of the People’s Liberation Army’s Northern Theater Command.<sup>43</sup>

Geopolitically, how can Xi and the leadership in the Party explain to the 1.4 billion people that China is now aligned with a revanchist Russia that is threatening Ukraine, severed part of Georgia, supported Syrian President Bashar al-Assad with the brutal suppression of the Jasmine Revolution while securing a naval base in Syria, annexed Crimea and sent troops to Africa and Libya while supporting Armenia against Azerbaijan and recently sent troops to

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<sup>39</sup> Kevin Rudd, “China’s Economic Downturn Gives Rise to a Winter of Discontent,” *The Wall Street Journal*, January 21, 2022, available at <https://www.wsj.com/articles/chinas-economic-woes-give-rise-to-a-winter-of-discontent-president-xi-jinping-cewc-common-prosperity-11642777025>.

<sup>40</sup> Ibid.

<sup>41</sup> “China’s Import of Russian Pipeline Gas over 6.6 Mln Tonnes in 11m 2021 — Customs,” TASS, December 20, 2021, available at <https://tass.com/economy/1378225>.

<sup>42</sup> “See, for example, “China’s friendly ties with Russia will never weaken, top diplomat says,” TASS, December 20, 2021, available at <https://tass.com/world/1377843>.

<sup>43</sup> Huang Panyue, “Highlights of the China-Russia Joint Sea Military Exercise and Joint Cruise,” *China Military Online*, October 26, 2021, available at [http://eng.chinamil.com.cn/view/2021-10/26/content\\_10102646.htm](http://eng.chinamil.com.cn/view/2021-10/26/content_10102646.htm).

Kazakhstan to literally control the country? Is aligning with a revanchist Russia the image Xi wants to project to his people and to those countries involved with China's Belt and Road Initiative, or with the Asia Infrastructure Investment Bank or the Philippines and others contesting China's claims in the South China Sea, despite a ruling from a United Nations Tribunal disputing China's claim of sovereignty over the islands and reefs?

Mao Zedong said, "political power grows out of the barrel of a gun," published in the "Little Red Book" during the Cultural Revolution from 1966-1976. It appears that Vladimir Putin agrees with Mao and is using Russia's military might to threaten and intimidate others. Is this the image that Xi Jinping and the Party wants to project to the region and the world? Is this what "wolf warrior diplomacy" was meant to convey to other countries?<sup>44</sup>

## **DEALING WITH AN ASSERTIVE CHINA**

The Chinese Communist Party (CCP) is determined and confident that they will be the dominant power in East Asia and, eventually, the world. The speed of its economic development and military modernization has instilled a sense in China, especially in the Party, that China is destined to overtake the United States as the predominant global power.

Strategic competition and strategic cooperation are not exclusive of each other. Competing with China to ensure that the United States continues to create and develop new and innovative technologies and to ensure the resilience of the supply chain is today's reality. Conversely, U.S. – China cooperation on issues that affect the national security of all countries is the responsibility of two great powers. Thus, joint efforts on pandemics, climate change, nuclear proliferation and international organized crime are just some of the issues that should engender close and meaningful cooperation.

The view that China would become more democratic as the economy improved was always problematic. Deng Xiaoping believed in a strong leader and a strong Communist Party, not democratic pluralism. Other Chinese leaders, however, advocated for democratization, with free and open elections and the rule of law. It is possible that those voices in China advocating for a less autocratic leadership eventually will prevail.

The United States must do a better job of informing the world about its values, about liberal democracies and the rule of law, and the inalienable rights of all people. For the past 30 years, since the implosion of the Soviet Union in 1991, the United States has done a poor job of educating the world about its form of governance. We closed the United States Information Service in 1996 and closed many of the cultural centers around the world, which in hindsight was a mistake. It is important that all nations know the difference between a liberal democracy and an autocracy. Indeed, that's part of today's strategic competition with China.

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<sup>44</sup> Mao Zedong, "Out of the Barrel of a Gun," *Lapham's Quarterly*, available at <https://www.laphamsquarterly.org/revolutions/out-barrel-gun>.



In that context, the United States should continue to welcome the hundreds of thousands of Chinese students who study in U.S. colleges and universities each year. Seeing and experiencing democracy in action, and all its challenges, is part of their education. Many bring back those experiences to China, where there continues to be much goodwill toward the United States, despite the propaganda by the Party portraying the United States as the enemy that now feels threatened by a rising China.

Pursuant to the Shanghai Communique of 1972 that acknowledged that both China and Taiwan agree that there is one China and Taiwan is part of China, a peaceful resolution of differences is the ultimate objective. And as stated in the Taiwan Relations Act of 1979, the future of Taiwan should be resolved by peaceful means and any other than peaceful means will be of grave concern to the United States. China's recent efforts to intimidate Taiwan with Chinese warplanes intruding into Taiwan's air defense zone were reckless and dangerous. China must understand that such behavior has consequences.

Standing firm against Russia will help China – and others – better understand that the United States cares about its allies and partners and will respond to Russia's or any other country's aggression.

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