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China-U.S. Relations: Current Issues for the 108th Congress

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Summary

During the George W. Bush Administration, U.S. and People's Republic of China (PRC) foreign policy calculations have undergone several changes. The Bush Administration assumed office in January 2001 viewing China as a U.S. "strategic competitor." Administration officials faced an early test in April 2001 when a Chinese naval aviation jet collided with a U.S. Navy reconnaissance plane over the South China Sea. After the terrorist attacks of September 11, 2001, U.S. officials came to see Beijing as a potentially helpful ally in the fight against global terrorism, while PRC officials saw the anti-terrorism campaign as a chance to improve relations with Washington and perhaps gain policy concessions on issues important to Beijing, such as on U.S. arms sales to Taiwan. U.S. anti-terror priorities led some to suggest that cooperation against terrorism could serve as a new strategic framework for Sino-U.S. relations. The anti-terrorism agenda helped lead to a new sense of optimism and stability in the U.S.-China relationship, including an impetus for renewed summitry and dialogue, that continues to characterize the relationship in 2004.

Despite this period of stability, sensitivities have remained over long-standing bilateral issues. U.S. officials have remained supportive of Taiwan's security and its quest for international recognition, and PRC officials have remained firm about reunifying Taiwan under the "one China" policy. The PRC remains suspicious about what it sees as an "encircling" U.S. presence in Asia and wary of U.S. technological advantages and global influence, while the Bush Administration has announced a series of sanctions against PRC companies for violations of non-proliferation commitments. The PRC's early bungling of the SARS health crisis in 2003 posed new challenges for bilateral relations and was an early test for China's new government leaders, chosen in mid-March 2003. The PRC's first manned space flight on October 15, 2003, has raised new questions about the aspirations of China's space program and its implications for U.S. security.

Against the backdrop of these underlying problems, economic and trade disagreements began to increase noticeably during the second half of 2003. U.S. officials have criticized the PRC for undervaluing its currency by maintaining an artificial "peg" to the U.S. dollar, a policy that undermines the competitiveness of U.S. products and contributes to the U.S. trade deficit. PRC leaders have discussed the possibility of trade retaliation because of an impending emergency cap the United States has placed on some PRC textile imports in November 2003.

The purpose of this report is to provide background for and summarize current developments in U.S.-PRC relations, including current and pending congressional actions involving the PRC. This report will be updated regularly as new developments occur.

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Recent Developments

April 19, 2004 — In a secretive visit, North Korean leader Kim Jong-il began three days of discussions with leaders in Beijing. On the same day, PRC Vice-Premier Wu Yi left China to attend the 15th meeting of the Sino-U.S. Joint Commission on Commerce and Trade, scheduled for April 21, 2004.

April 17, 2004 — EU ministers told the PRC that the EU would keep in place the arms embargo against China.

April 15, 2004 — Paul Speltz, U.S. Executive Director of the Asian Development Bank, was appointed an economic emissary to the PRC, a new U.S. post created to help encourage the PRC to de-link its currency peg to the U.S. dollar.

April 13, 2004 — U.S. Vice President Dick Cheney began a three-day visit to China as part of a larger visit in Asia including stops in Japan and South Korea.

April 6, 2004 — The NPC Standing Committee issued an "interpretation"of Annex I and Annex II, the provisions of Hong Kong's Basic Law, saying that it is up to the PRC government to determine the pace of democratization in Hong Kong.

March 29, 2004 — PRC Defense Minister Cao Gangchuan met with his counterpart in India — the first PRC Defense Minister visit there in a decade.

March 20, 2004 — Taiwan's incumbent president, Chen Shui-bian, was re-elected to a second term by the slimmest of margins.

Background and Overview

Introduction

For much of the 1990s, a number of factors combined to assure that U.S. congressional interest in the People's Republic of China (PRC) increased year by year. In the years after the 1989 Tiananmen Square crackdown, Members often felt that they were neither consulted nor listened to by the Executive Branch concerning the appropriate direction for U.S. China policy. Without the overriding strategic imperative that the Soviet Union had once provided for comprehensive U.S.-China relations, individual Members began to push for their own more parochial concerns in China policy, such as efforts on behalf of Taiwan, in favor of human rights, or

against forced sterilization and abortion. In the later years of the Clinton Administration, when U.S. officials were pursuing a "strategic partnership" with China, some Members became increasingly concerned that the U.S. government was not thinking seriously enough about the PRC as a longer-term threat to U.S. interests, given the PRC's missile build-up opposite Taiwan and Beijing's growing nationalism and economic strength. Among other things, Congress in these years enacted more provisions to accommodate Taiwan's interests, engaged in repeated and protracted efforts to further condition or even withdraw the PRC's most-favored-nation (MFN) status, held hearings and considered legislation targeting the PRC's human rights violations, created two Commissions to monitor PRC activities, and imposed a host of requirements on the U.S. government to monitor, report on, and restrict certain PRC activities.[1]

From 2001 on, however, U.S.-China relations have improved markedly, and Congress as a whole has become less vocal and less legislatively active on issues involving China. Key questions for American policymakers and foreign policy observers include what factors have contributed to improved U.S.-China relations; whether or not these developments are the beginning of a long-term trend toward a period of stability and "normalcy" in the relationship; what are the potential policy developments that could once again highlight underlying complications in U.S.-China relations; and what are the policy implications of ongoing and new developments, both domestically and in the broader foreign policy environment, that could affect U.S. interests. This paper will address these questions, discuss key legislation in the 108th Congress, and provide a running chronology of developments and high-level exchanges since January 2003.

This report will be updated regularly as further developments occur. For a thorough discussion of U.S.-China relations during the 107th Congress (2001-2002), see CRS Report RL31729, *China-U.S. Relations in the 107th Congress: Policy Developments, 2001-2002*, dated January 23, 2003. For further information on other pertinent issues, see the CRS reports and other materials referenced in the footnotes.

Factors Contributing to Improved U.S.-China Relations

U.S. relations with the People's Republic of China (PRC) have gained unusual stability since January 2001. The reasons for this cannot be attributed to any resolution of entrenched bilateral policy differences — such as those long held over human rights or on Taiwan's status — for these differences still exist and are likely to plague the relationship for the foreseeable future. Rather, a number of other factors and policy trends in recent years have combined to make U.S.-PRC relations arguably the smoothest they have been since the aftermath of the Tiananmen Square crackdown in 1989. These trends and factors include:

- the current Bush Administration's more assertive approach toward China and more supportive views on Taiwan than those followed by previous U.S. Administrations

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[1] In the United States, the term "most-favored-nation" (MFN) status has been replaced by the term "normal trading relations" (NTR) status.

- dramatic changes in global and in national priorities brought about by the anti-terrorism and anti-Iraq campaigns
- new demands on and trends in the U.S. Congress that have currently taken precedence over ongoing concerns about the PRC
- the PRC's own wholesale transition since 2001 to a new generation of leaders bringing their own approach to policy decisions
- the PRC's growing economic clout and increasingly modulated political influence on the international stage

Changed U.S. Policy. The George W. Bush Administration came to office in January 2001 promising a tougher approach toward the PRC than that of any of its predecessors. Seeking to distance themselves from the policies of "engagement" with China favored by American Presidents since 1979, Bush Administration officials promised to broaden the focus of American policy in Asia, concentrate more on Japan and other U.S. allies, de-emphasize the importance of Sino-U.S. relations in American foreign policy, and look more favorably on issues affecting Taiwan's status and security. Even while appearing less solicitous of Beijing's views, Administration officials have remained open to substantively and symbolically meaningful dialogue with China at the senior-most levels. President Bush, for example, met more often with his PRC counterpart during his first two years in office than other U.S. Presidents did in their entire Administrations. This twin approach continues to characterize much of Administration policy toward both the PRC and Taiwan today.[2] Some observers have suggested that this approach has helped reduce Beijing's leverage over the U.S. policy process, forcing onto the PRC the greater burden in seeking productive U.S.-China relations.

Anti-Terrorism and Changing Global Priorities. A number of recently published accounts now allege that the Bush policy apparatus entered office in 2000 with a new foreign policy agenda in mind. Still, the September 11, 2001 terrorist attacks against the United States, the subsequent and ongoing campaign in Iraq, and renewed hostility from North Korea have contributed to the changing international priorities of the United States and much of the world. A number of U.S. international relationships have been affected accordingly, including relations with the PRC and with countries important to PRC interests, such as Pakistan. The United States has established cooperation with and a military presence in Central Asian countries, with whom the PRC had formed the Shanghai Cooperation Organization in the 1990s. U.S. officials quickly saw the war against terrorism as the nation's principle priority, and one in which the PRC, perhaps, could be helpful. U.S. officials, for instance, welcomed what support the PRC could give toward anti-terrorism initiatives, particularly in measures put before the United Nations Security Council, where the PRC is a permanent member and has veto power. But the White House also has shown itself willing to take unilateral U.S. action, and maintained that only limited

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[2] The Administration faced an early test of its policies on April 1, 2001, when a Chinese jet-fighter collided with a U.S. Navy EP-3 reconnaissance plane over the South China Sea, forcing the U.S. plane to make an emergency landing at a military base on China's Hainan island. Several CRS reports provide details of this crisis. See, for instance, CRS Report RL31729, *China-U.S. Relations in the 107th Congress: Policy Developments, 2001-2002,* by Kerry Dumbaugh.

Sino-U.S. cooperation would be possible. Thus, it is not clear yet to what extent U.S. anti-terrorism goals may have affected the Administration's PRC policy other than to reinforce the lower profile it had already assigned to U.S.-China relations.

Despite the capture of Saddam Hussein and the decapitation of the Iraqi government, ongoing and increasing U.S. government difficulties in Iraq have continued to be the major foreign policy preoccupation for American policymakers. PRC cooperation, or at least acquiescence, in U.S. Iraq initiatives thus has become a collateral U.S. objective. The Bush Administration's commitments in Iraq have also contributed to a number of fissures in the North Atlantic Treaty Organization (NATO) alliance, whose EU member countries the PRC has assiduously courted in recent years. Finally, North Korea's nuclear weapons activities have created a crisis on the Korean peninsula which Administration officials believe enhances the need for PRC cooperation on initiatives involving the North. These new tensions in and possible re-shuffling of international relationships have created a fluid and complex international atmosphere. Although the implications for future U.S.-China relations remain uncertain, some observers have suggested that the uncertainty itself has favored more stable U.S.-China relations by ensuring a degree of caution and non-provocation in how bilateral policies are crafted.

Constraints on PRC Policy. Some believe that a number of developments in the PRC are also factors contributing to smoother U.S.-China relations. Since late 2002, the PRC has undergone a significant transition to a new generation of leaders that many believe are bringing a more open, rule-based, reformist, and internationally engaged approach to PRC policies.[3] The new leadership also remains preoccupied with thorny domestic economic and political problems, including growing fears about the bubble effects of an overheated economy, internal social unrest, greater social and economic demands by labor, growing unemployment, and more assertive public disaffection with official corruption, to name a few.

Both the anti-terrorism campaign and initiatives on Iraq also appear to have affected the PRC's view of U.S.-China relations. In at least the early months of the campaign, PRC leaders seemed to see anti-terrorism initiatives as an opportunity for closer cooperation with the United States and a way to improve U.S.-China relations.[4] In addition, the PRC government has found the U.S. anti-terror campaign a convenience in cracking down on dissident Muslim populations in the Xinjiang-

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[3] At its 16th Party Congress (November 8-14, 2002), the PRC's Communist Party selected a new Party General Secretary (Hu Jintao), named a new 24-member Politburo and a new nine-member Standing Committee, and made substantive changes to the Party constitution. Further changes in government positions were made during the 10th meeting of the National People's Congress in March 2003. For more on the leadership transition, see CRS Report RL31661, *China's New Leadership Line-up: Implications for U.S. Policy*, by Kerry Dumbaugh.

[4] In the initial days after the September 11 terrorist attacks, PRC President Jiang Zemin offered condolences, promised "unconditional support" in fighting terrorism, and, on September 25, sent a group of PRC counter-terrorism experts for consultations in Washington. In a U.N. Security Council meeting on September 12, the PRC voted in favor of both Resolution 1368, to combat terrorism, and Resolution 1441, on Iraqi compliance.

Uighur Autonomous Region — crackdowns which it has couched in terms of anti-terrorist activities.

New Priorities for the U.S. Congress. For the reasons cited above and more, the U.S. congressional agenda in the Bush Administration has shifted in ways that have had an effect on Congress' consideration of China issues. For one thing, the September 11 attacks themselves dramatically pre-empted a serious congressional debate that had been going on for a decade over whether the PRC represented the next serious threat to U.S. security. Since the September 11 attacks, the list of priority items on the congressional agenda have encompassed a host of initiatives relating to U.S. security issues and the anti-terrorism campaign. These have included reorganization of the U.S. Government to create a Department of Homeland Security, U.S. troop deployments in Afghanistan and Iraq, and the potential implications of a nuclear North Korea, to name a few. Unrelated foreign policy issues have had problems competing with these issues. Also, with the disappearance of the annual rancorous congressional debate over renewing the PRC's normal trade relations (NTR) status, Congress now lacks a legislative vehicle for regularly re-examining the totality of U.S. policy toward China.[5]

Moreover, the nature of the White House approach toward the PRC and Taiwan has cooled what previously had been a heated congressional policy debate over the direction of U.S. China policy. The Administration's early willingness to take dramatic steps to assure Taiwan's security and support Taiwan's interests appeared to satisfy the sizeable segment in Congress that has long championed stronger U.S. relations with Taiwan. At the same time, the White House has resumed regular U.S.-China summitry and cultivated a cooperative diplomatic and investment climate with China, satisfying the American business community and Members who are responsive to that community's concerns. Finally, the Administration's more aggressive overall foreign policy and its willingness to redefine traditional American security concepts has appealed to more hawkish Members of Congress who increasingly have viewed China as a rising threat to U.S. regional and global interests.

Factors That Could Increase Bilateral Tensions

Despite the smooth U.S.-PRC relationship of recent years, any number of circumstances and events could re-energize tensions in U.S.-China relations and once again alter the bilateral landscape. At the top of everyone's list of potential problems is the question of Taiwan's political status — a question which, in light of tensions over recent developments in Taiwan, has the real potential to lead to U.S.-PRC conflict. American concerns also are likely to dwell on economic issues, especially while the U.S. trade deficit with China soars and criticism continues to focus on the competitive advantages China gains by linking its currency to the U.S. dollar and failing adequately to pay and protect its labor force. The dynamics of U.S.-China relations also could change if events led Beijing to conclude that the United States had lost significant economic, military, and/or political power in the world, leading

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[5] Some have suggested that regular annual reports from the two U.S. China Commissions and other entities could serve as catalysts for debate on the PRC.

PRC leaders to seek to exploit any perceived U.S. weaknesses for their own national advantage. Such events could include a protracted conflict or uncertain outcome in Iraq, a partial collapse or realignment in the NATO alliance, a demand by South Korea that U.S. troop strength be cut, an act of North Korean aggression, or a serious U.S. economic decline, among other options.

Even absent any of the above problems, a strong argument can be made that, along with its rapidly growing economy, the PRC's increasing need for energy resources, greater international assertiveness, and ongoing military modernization means that one day its interests and appetites will conflict with those of the United States. Therefore, despite the current stability in U.S.-China relations, too many variables remain to be certain of whether this represents a longer term trend toward a new relationship or is simply the function of a series of temporary distractions in U.S.-China policy. Major developments continue to occur regularly on issues that traditionally have affected the overall relationship. Monitoring and assessing these developments (and how they are handled by Washington and Beijing) could offer foreign policy watchers important clues about the direction of U.S.-China relations over the longer term.

Key Issues in U.S.-PRC Relations

Taiwan

Taiwan remains the most sensitive and complex issue in Sino-U.S. relations. In recent years, the political environment in Taiwan has been fluid, unpredictable, and intricately linked with issues involving Taiwan's international status and relationship with the PRC. Unexpected and unprecedented victories in presidential and legislative elections by Taiwan's opposition Democratic Progressive Party (DPP) nearly decimated the Nationalist Party (the KMT), for 50 years the dominant — and for much of that time, the only — political party in Taiwan. As a result, the balance of power in Taiwan since 2000 has teetered precipitously between contending political parties and views. On one side is President Chen Shui-bian's pro-independence DPP and its ally, the smaller Taiwan Solidarity Union (TSU). On the other is a tenuous political coalition cobbled together from the remnants of the KMT — the remaining KMT and the People First Party (PFP), both of which at least theoretically support the principle of eventual reunification with the PRC.

Many observers believe that a series of events in 2004 will pose a crucial challenge for Taiwan's future and for U.S.-Taiwan-PRC relations. Among other policy challenges, on March 20, 2004, Taiwan held presidential elections and a controversial, unprecedented referendum on several issues relating to the PRC. While the referendum was defeated, the incumbent president, Chen Shui-bian, was re-elected by a reed-thin margin of 0.2%. Leaders from the PRC strongly object to the pro-independence DPP and to Chen's re-election, believing that the incumbent's ultimate aim is to declare Taiwan independence in defiance of long-standing PRC claims that Taiwan is part of China. PRC leaders publicly have stated they would "pay any price," including taking military action, to prevent Taiwan independence. Official U.S. views — fully supportive of democratic processes in Taiwan and

elsewhere — have been tempered by American military commitments to help Taiwan defend itself. U.S. officials remain deeply concerned about provocative actions by either side that might result in U.S. armed conflict with the PRC.

In a second policy challenge, Taiwan's March 20 election was accompanied by several unusual last-minute circumstances, including an assassination attempt on the incumbent the previous day and a resulting state-of-emergency declaration that reportedly kept some voters from the polls. These circumstances and the election's narrow margin of victory prompted the opposition Nationalist Party (KMT) to demand a recount and file a court challenge on the election's validity. Thus, although the incumbent was sworn into office for a second term on May 20, 2004, questions continue to be raised about his political legitimacy and there remains the possibility, however slight, that the election results will be overturned. Finally, in December 2004, Taiwan will be holding elections for its national legislature, where the KMT opposition party continues to hold razor-thin majority control. This divided Taiwan government has created policy gridlock for Chen's first four years, with the legislature frequently blocking or greatly amending the president's policy initiatives. As a result, Taiwan's political life for the balance of the year is likely to remain dominated by bitter partisan in-fighting as each side seeks either to gain or to retain an effective legislative majority.

Faced with this political environment in Taiwan, PRC military and civil leaders have used increasingly heated rhetoric about the possibility of using military force against Taiwan. Until recently, U.S. officials had voiced even-handed concerns about the need to maintain stability in the Taiwan Straits, saying that neither side should take provocative actions. But on December 9, 2003, after a meeting with visiting PRC Premier Wen Jiabao, President Bush used unprecedentedly blunt language which singled out Taiwan for special criticism. Appearing with Premier Wen, President Bush said that the United States opposed "any unilateral decision, by either China or Taiwan, to change the status quo....the comments and actions made by the leader of Taiwan indicate he may be willing to make decisions unilaterally that change the status quo, which we oppose." Shortly after President Bush made his remarks, Taiwan's President, Chen Shui-bian, was quoted as saying that he supported the status quo with the PRC, and he defended using a referendum as an attempt to prevent war.[6] (See "The Referendum Issue" section of this report.)

Beijing has long maintained that it has the option to use force should Taiwan declare independence from China, and PRC officials repeatedly block Taiwan's efforts to gain greater international recognition. At the same time, officials in Taiwan are maneuvering for more international stature and for independent access to multilateral institutions. Since the 1970s, when the United States broke relations with Taiwan in order to normalize relations with Beijing, U.S. policy toward Taiwan has been shaped by the three U.S.-China communiques, the Taiwan Relations Act (P.L. 96-8), and the so-called "Six Assurances."[7]

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[6] Wu, Tiffany, "Taiwan says vote still on despite Bush warning," *Reuters* online, December 10, 2003. [http://taiwansecurity.org/Reu/2003/Reuters-101203.htm]

[7] In addition, other U.S. statements sometimes have been interpreted as changes in nuance (continued...)

U.S. Taiwan Policy and U.S. Arms Sales. Apart from the President's blunt warning to Taiwan on December 9, 2003, the Administration to a notable degree has eschewed the long-standing U.S. policy of "strategic ambiguity" on Taiwan in favor of policy clarity that has placed more emphasis on Taiwan's interests and less on PRC concerns. On April 25, 2001, for instance, in an ABC television interview, President Bush responded to a question about the possible U.S. response if Taiwan were attacked by saying that the United States would do"whatever it took" to help Taiwan defend itself. Since the United States has no defense alliance with Taiwan and has never pledged use of American military forces in the island's defense, the President's answer caused considerable controversy over whether the United States had changed its policy toward Taiwan's security or was moving away from its "one-China" statements. Although State Department and White House officials continue to maintain that there has been no change in U.S. policy toward Taiwan and that U.S. policy is consistent with U.S. commitments in the Taiwan Relations Act, subsequent statements and actions by Bush Administration officials have been judged to be more solicitous and supportive of Taiwan than those of previous U.S. Administrations.[8] In part, this reflects Administration assessments that the potential for military conflict over Taiwan is high. In a report submitted to Congress late in 2001, for instance, the Pentagon identified military conflict with China over Taiwan as one of the "immediate contingencies" for which the United States should size its nuclear strike capabilities.[9] In other aspects of its more supportive Taiwan policy, the Bush Administration has undertaken the following steps:

- Approved more robust arms sales to Taiwan, including Kidd-class destroyers, diesel submarines, AIM sidewinder air-to-air missiles, and P-3C Orion aircraft.[10]

- Enhanced military-to-military contacts, including meetings between higher-level officers; cooperation on command, control, and communications; and training assistance.[11]

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[7] (...continued)
in U.S. policy. For example, during his summit visit to China in June 1998, President Clinton made a controversial statement (known as the "three noes" statement) that some interpreted as a change in U.S. policy, resulting in resolutions in the 105th Congress (H.Con.Res. 301 and S.Con.Res. 107) reaffirming U.S. policy toward Taiwan. For details on evolving U.S. policy toward Taiwan, see CRS Issue Brief IB98034, *Taiwan: Recent Developments and U.S. Policy Choices,* by Kerry Dumbaugh.

[8] On February 16, 2003, for instance, Deputy Assistant Secretary of State for East Asian Affairs, Randall Schriver, told a Taiwan-U.S. defense industry conference in Texas that "Our policy [toward Taiwan] has been consistent for more than 20 years...It has not changed. It will not change." Cited in English in *Asia Pulse*, Feb. 17, 2003.

[9] Excerpt from the "Nuclear Posture Review," submitted to Congress on December 31, 2001. For excerpts, see [http://www.globalsecurity.org/wmd/library/policy/dod/npr.htm].

[10] See CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.

[11] At a March 2002 meeting of the U.S.-Taiwan Business Council in Florida, Deputy (continued...)

- Approved transit visas for top Taiwan officials to come to the United States, including Taiwan's President and Vice-President.

Taiwan and the World Health Organization (WHO). WHO's global involvement in investigating and helping to combat the SARS virus focused new attention on the fact that Taiwan, which also had SARS cases, is not a member of WHO.[12] For 8 consecutive years, Taiwan's application for observer status in the WHO has been defeated — most recently on May 17, 2004, when 133 countries voted against the measure at the annual meeting of the World Health Assembly while 25 voted in favor.[13] Opposition from the PRC routinely has blocked Taiwan's bids on political grounds, arguing that since Taiwan is not a state but a part of China it cannot be separately admitted to U.N. entities for which sovereign status is a pre-requisite for membership. According to the U.S. Centers for Disease Control and Prevention (CDC), a U.S. CDC team was sent to Taiwan to investigate the SARS outbreak, and that team remained in touch with WHO officials during the crisis.

Taiwan authorities have argued that it is inhumane for the world to deny the people of Taiwan access to WHO's substantial medical data and assistance in the event of an outbreak of disease, as in the SARS outbreak of 2003 or the dengue hemorrhagic fever outbreak in a Taiwan city in June 2002. Taiwan authorities maintain that "observer status" in WHO would be an apolitical solution in Taiwan's case, since other non-sovereign entities, like the Holy See and the Palestine Liberation Organization, have been given such status in WHO. The U.S. Government is on record as supporting Taiwan's membership in organizations "where state-hood is not an issue," although the U.S. delegation voted in Taiwan's favor on the May 17, 2004 observer status vote.[14]

The U.S. Congress repeatedly has sought to assure U.S. support for admitting Taiwan as an observer to the WHO. The 107th Congress approved P.L. 107-10, authorizing the Secretary of State to seek Taiwan's observer status in the WHO in May 2001, and again at the annual meeting in May 2002 (P.L. 107-158).[15] Likewise, the 108th Congress considered and passed similar legislation (P.L. 108-28) in 2003.[16]

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[11] (...continued)
Defense Secretary Paul Wolfowitz reportedly stated that helping Taiwan more successfully integrate its military forces was as important a U.S. priority as selling it weapons.

[12] Taiwan recorded its first SARS death on April 27, 2003. In response, Taiwan announced it would suspend issuing visas to residents of China, Hong Kong, Singapore, Canada for two weeks, and would quarantine returning Taiwan residents for 10 days.

[13] The World Health Assembly is the administrative arm of the World Health Organization.

[14] A State Department spokesman, in response to a press question at the State Department press briefing of March 20, 2002.

[15] On March 14, 2002, the European Union also adopted a non-binding resolution calling on the WHO to accept observer status for Taiwan. Doc.:B5-0132/2002, B5-0138/2002, B5-0147/2002, B5-0150/2002.

[16] Legislation in 2003, H.R. 441/ S. 243, was enacted on May 29, 2003. Ten days earlier, (continued...)

(See CRS Issue Brief IB98034, *Taiwan: Recent Developments and U.S. Policy Choices*, pp. 8-9.)

Taiwan-PRC Contacts. Official talks between China and Taiwan, always problematic, last occurred in October 1998, when Koo Chen-fu, Chairman of Taiwan's Straits Exchange Foundation (SEF) and Wang Daohan, president of China's Association for Relations Across the Taiwan Straits (ARATS), held meetings in Shanghai. But while official talks have remained stymied, unofficial cross-strait contacts have continued to grow. Even with the official restrictions that the government maintains on investing in and trading with mainland China, Taiwan businesses are increasingly invested across the strait, although the exact figures remain unclear. Taiwan-China trade has also increased dramatically over the past decade. According to one estimate, Taiwan's total bilateral trade with the PRC rose to $39.7 billion in 2002.[17]

Taiwan's increasing economic interconnectedness with the PRC has put special pressure on the DPP government to further accommodate the Taiwan business community by easing restrictions on direct travel and investment to the PRC. Early in January 2001, for instance, President Chen announced that he would establish direct links between China and Taiwan's outlying islands of Matsu and Quemoy — the so-called "mini-links" — a small but significant step in the direction of further contacts. Late in 2002, Taiwan's Mainland Affairs Council (MAC), a cabinet-level office to oversee Taiwan's relations with the PRC, completed a study to assess the technical features and costs of expanded cross-strait sea and air links. Taiwan politicians throughout much of 2002 debated and eventually approved a proposal to allow Taiwan charter flights to fly, for the first time, to and from the PRC by way of Hong Kong and Macau for the Chinese New Year. In addition, PRC leaders made their own overtures, calling on Taiwan to return to the negotiating table and holding out the possibility for postponing "certain political disputes" in order to resume talks.[18] But such accommodations are worrisome to the DPP's pro-independence political base in Taiwan, who believe that further economic ties to the mainland will erode Taiwan's autonomy and lead to a "hollowing out" of Taiwan's industrial base.[19] Thus, each decision that President Chen makes on Taiwan's economic links with the PRC represents an uneasy compromise between the concerns of his own political base and the requirements of improving Taiwan's international economic competitiveness.

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[16] (...continued)
on May 19, 2003, the World Health Assembly decided not to consider a motion relating to Taiwan during its annual meeting in Geneva.

[17] See CRS Report RS20683, *Taiwan and the World Trade Organization*, by Wayne Morrison, p. 4; and CRS Report RL31749, *Foreign Direct Investment in China*, by Dick Nanto and Radha Sinha.

[18] Spokesman Zhang Mingqing, on November 28, 2002, quoted in CNN.com. Comments about postponing political disputes were made by PRC President Jiang Zemin during sessions at the 16th Party Congress in early November 2002.

[19] For instance, there are reportedly 300,000 Taiwan citizens now living and working in Shanghai.

China's Space Program

On October 15, 2003, the PRC conducted its first manned space flight, becoming only the third country other than the United States and the former Soviet Union to do so. Taking off from the Jiuquan Space Center, the Shenzhou V capsule orbited the earth for 21 hours carrying Lt. Col. Yang Liwei, the PRC's first "taikonaut."[20] At the end of its voyage, the orbiter made a terrestrial landing in western China. The October 15 manned-flight was preceded by four unmanned Shenzhou launches: in November 1999, January 2001, March 2002, and December 2002. According to PRC space scientists, China's national goal is to launch a "sustained" lunar exploration program by 2010.[21] The PRC's overall goals in space are addressed in a white paper, "China's Space Activities," released by the State Council on November 21, 2000.[22]

Overall authority for the PRC's space program rests with the China Aerospace Science and Technology Corporation (CASC), an entity the central government created in 1999 to pursue national defense and space programs. Even so, it is the People's Liberation Army's (PLA) Second Artillery Corps that ultimately controls the program. Combined with the magnitude of the PRC's technical achievement in initiating manned flight, the PLA's leading role in the program is raising concerns for some analysts about the motivations behind and the potential security implications of China's space program. They see prospects for a U.S.-PRC "space race" reminiscent of the U.S.-Soviet space competition during the Cold War. Further, they suggest that such a competition would establish a more or less inexorable trend toward militarization or even weaponization of space.[23]

Human Rights

Since 2001, the George W. Bush Administration has shifted away from the broad and generalized approach U.S. Administrations traditionally have followed on human rights in China. The current Administration approach instead appears to favor more selective, intense pressure on individual cases involving human rights and on rule of law. The PRC government periodically has succumbed to this U.S. pressure and released early from prison political dissidents, usually citing health reasons. On March 4, 2004, for instance, the PRC released on medical parole one of its best-known political prisoners, Wang Youcai, a co-founder of the short-lived China Democracy Party. Days earlier, the PRC released an imprisoned Tibetan nun and announced that the prison sentence of Uighur businesswoman Rebiya Kadeer would be reduced by one year, making her eligible for release in 2006. Other past releases

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[20] "Taikonaut" is derived from the Chinese word for space.

[21] This goal was articulated by Ouyang Ziyuan, chief scientist for the PRC's moon exploration program.

[22] Text at : [http://www.china.org.cn/e-white/8/]

[23] One proponent of this view is Joan Johnson-Freese, chair of the Naval War College's National Security Decision-Making Department, who has written extensively on China's space program. Johnson-Freese, Joan, "'Houston, We Have a Problem': China and the Race to Space," in *Current History*, September 2003, pp. 259-265.

included the December 2002 release of Xu Wenli, co-founder of the China Democracy Party, and the January 2002 release of Ngawang Choephel, a Tibetan scholar. Critics of China's human rights policies claim that such gestures are infrequent and overshadowed by other human rights troubles. The Congressional-Executive Commission on China (CECC), a body created by P.L. 106-286 and comprised of U.S. Government officials and Members of Congress, is developing a "Political Prisoner Database" on prisoners in the PRC. When completed, the registry will be available on the CECC website [http://www.cecc.gov/].

Religious Freedom. Members of Congress and American policymakers remain particularly concerned about the extent to which the PRC controls and restricts religious practices. The U.S. Department of State, in the China section of its annual *International Religious Freedom Report*, released December 18, 2003, said that China's record on religious freedom remained poor. In 1999, the PRC government outlawed the Falun Gong spiritual movement, maintaining that it presented the greatest danger to the nation that had ever existed in its 50-year history.[24] Since 2000, the PRC government has arrested Falun Gong leaders, imposed harsh prison sentences, outlawed religious sects and cults in China, and created a government "Office for Preventing and Handling Cults." During the SARS outbreak of 2002-2003, Falun Gong adherents were arrested and accused of spreading false rumors about SARS. Some observers have expressed fear that the PRC's anti-cult movement may come to include Christian churches and other more mainstream groups in the future.[25]

Separatists. For years, the PRC government also has maintained a repressive crackdown against Tibetans and Muslims, particularly against Uighur separatists in the Xinjiang-Uighur Autonomous Region. After September 11, 2001, PRC officials sought to link their efforts against Uighur separatists with the global anti-terrorism campaign. On October 12, 2001, a PRC Foreign Ministry spokesman said, "We hope that our fight against the East Turkestan [Xinjiang] forces will become a part of the international effort against terrorism." Although U.S. officials warned that the anti-terror campaign should not be used to persecute Uighur separatists or other minorities with political grievances against Beijing, some believe that the U.S. government made a concession to Beijing on August 26, 2002, when it announced that it was placing one small group, the East Turkestan Islamic Movement, on the U.S. list of terrorist groups.[26]

Family Planning/Coercive Abortion. Bitter controversies in U.S. family planning assistance have surrounded the PRC's population programs, which some claim include forced abortions and sterilizations. Direct U.S. funding for coercive family planning practices is prohibited in provisions of several U.S. laws, as is indirect U.S. support for coercive family planning. In addition, legislation in recent years has expanded these restrictions to include U.S. funding for international and

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[24] According to an article in the November 6, 1999 *People's Daily*.

[25] For further details, see CRS Report RS20333, *China and 'Falun Gong'* by Thomas Lum.

[26] The 107th Congress considered a number of human rights resolutions relating to the PRC. For relevant bills, see the "Legislation" section of this report.

multilateral family planning programs, such as the U.N. Population Fund (UNFPA), that have programs in China. In the FY2002 Foreign Operations Appropriations bill (P.L. 107-115), for instance, Congress provided for "not more than" $34 million for UNFPA. The Bush Administration froze those funds in January 2002, asserting that coercion still existed in Chinese counties where UNFPA had programs. Despite a follow-up finding by a State Department assessment team that UNFPA was not supporting coercion in its family planning programs in China, on July 22, 2002, U.S. Secretary of State Colin Powell announced the $34 million would remain withheld.[27] Because of this determination, UNFPA is receiving no U.S. funding for its family planning programs as of March 2003.

Labor Unrest. The wrenching and far-reaching economic reforms that the PRC continues to make has led to rising labor unrest, particularly in northern and interior cities. In 2002, laid-off and unemployed workers estimated to number in the tens of thousands demonstrated to protest job losses, insufficient severance pay, local corruption, and local government decisions to shut-down, sell-off, or privatize unprofitable state-owned factories. Worker unrest is a particularly troubling issue for Beijing, a regime founded on communist-inspired notions of a workers' paradise. Increasing labor unrest also has placed greater pressure on the authority and credibility of the All-China Federation of Trade Unions (ACFTU), China's only legal labor organization.[28] Labor unrest and labor conditions in the PRC continue to prompt debates among Members of Congress over competing policy goals. Some Members argue that PRC workers are exploited under economic reforms and that the United States should seek to limit its economic and financial dealings with the PRC until Chinese workers gain full collective bargaining rights. Other Members argue that U.S. investments in the PRC have helped improve workers' lives and incomes and have contributed to greater public pressure for labor and political reforms.

SARS (Severe Acute Respiratory Syndrome)

The outbreak in China of a new illness, SARS, represented a serious and immediate test for new PRC government officials named at the March 2003 meeting of the National People's Congress.[29] During the first four months of 2003, public pressure at home and abroad forced the government's reaction to the SARS illness to move classically secretive and non-communicative to significantly more open. This beginning of transformation in official PRC reaction to a national crisis shows that new PRC leaders are under significantly greater pressure, from the international community and from their own citizens, to be more transparent and responsive to the public than in the past. It remains to be seen whether these changes will become permanent features of the way the PRC government does business or were simply tactical responses to the early 2003 SARS outbreak.

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[27] For further details, see CRS Issue Brief IB96026, *Population Assistance and U.S. Family Programs: Issues for Congress*, by Larry Nowels.

[28] The ACFTU is controlled by the Communist Party. For background and further details, see CRS Report RL31164, *China: Labor Conditions and Unrest.*

[29] The new virus that causes SARS was identified only in April 2003.

In November and December 2002, China's Guangdong Province began to see cases involving a mysterious and contagious flu-like virus that PRC medical officials referred to as "atypical pneumonia." Provincial officials took emergency measures and the PRC government sent medical teams to Guangdong to investigate the outbreak. Still, for months, official Chinese sources downplayed the seriousness and extent of the mysterious illness. The Guangdong Provincial Health Bureau made the first official PRC announcement about the new illness on February 11, 2003, reporting that 5 had died and more than 300 had become sick. On February 12, 2003, the official Xinhua News Agency announced that the mysterious illness had been "brought under control"and no new cases had been reported in China. This remained the official story from the Chinese government through mid-March 2003, even as the World Health Organization (WHO) issued a global alert on March 12, 2003, following new outbreaks of an "atypical pneumonia" in Vietnam and Hong Kong.

Official PRC reluctance to be forthcoming continued throughout March. On March 15, 2003, WHO issued a rare "emergency travel advisory," for the first time referring to the illness as SARS and saying that its further spread to Canada, Singapore, and Europe now made it a "global health threat." According to WHO officials, it was only at this point that the Chinese government began providing WHO with information about the February atypical pneumonia outbreak in Guangdong, although WHO reported that the PRC still declined to provide biological samples, test results, or even details about courses of treatment. On March 18, 2003, PRC officials admitted that the SARS outbreak was continuing in Guangdong, but insisted it had not expanded elsewhere in China. This was contradicted by reports from Chinese doctors that two people in Beijing had died from the disease earlier in the month.

With SARS cases continuing to multiply and expand to other countries, including the United States, the PRC began to react to growing criticism over its handling of the SARS crisis in April 2003. WHO investigators were permitted to go to Guangdong on April 2. On April 4, the head of the PRC's Center for Disease Control issued a unprecedented public apology for the government's mis-handling of the health crisis. Greater impetus for fuller disclosure appeared to come from within China's medical community itself. On April 9, a prominent Beijing surgeon publicly disclosed that the government was seriously under-reporting cases of SARS in Beijing, and that the number was far more than the 22 cases the government indicated.[30] WHO officials also bluntly told PRC officials on April 17 that the SARS figures Beijing was reporting were unreliable.

On April 18, China's new Premier, Wen Jiabao, threatened dire consequences for any government official that did not make full and timely disclosure about SARS cases. The real official turnaround in the crisis came on April 20, when PRC leaders fired two senior officials for covering up the extent of the crisis — the first in a series of such firings. PRC leaders also announced that a national week-long May holiday would be reduced to one day to deter travel. Officials also held a nationally televised

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[30] Jiang Yanyong, former chief of surgery for the #301 military hospital in Beijing and a Communist Party member, made the disclosure in an e-mail to a state-run television station. The *Wall St. Journal* reported the disclosure on April 9, 2003.

press conference to announce that 339 cases of SARS had been confirmed and another 402 were suspected in Beijing alone, not 37 confirmed cases as previously reported.[31] By April 27, 2003 — ten weeks after the initial announcement that a mysterious pneumonia outbreak affecting a few hundred people in Guangdong had been brought under control — SARS outbreaks had been reported in 26 of the PRC's 31 provinces, the number of confirmed cases in Beijing alone had passed 1,100, and the central government had placed more than 15,000 people in Beijing under quarantine. Further, the government cancelled the week-long May 1st holiday to discourage widespread travel in China, and ordered the emergency closure of movie theaters, discos, churches, and other public places in Beijing.[32] Outside the capital, villages and towns with no recorded SARS cases put up roadblocks to isolate themselves from potentially infected travelers. Many citizens of Beijing refused to venture outside their homes, often wearing protective face masks when they did so.

As a consequence of the outbreak, the U.S. Government issued several travel warnings encouraging Americans to defer non-essential travel to the PRC, and the Department of State on April 1, 2003, authorized the departure of non-essential personnel and family members from the U.S. Consulate General in Guangdong and Hong Kong, and similarly on April 3, 2003 from the U.S. Embassy in Beijing and from U.S. Consulates in Chengdu, Shenyang, and Shanghai. By July 2003, the global transmission of SARS had virtually disappeared. On July 15, 2003, the U.S. CDC discontinued the distribution of its Health Alert Notices and lifted the last of its travel advisories, reflecting that no new cases of SARS had appeared in more than 30 days.[33] Nevertheless, the international medical community has warned that SARS may duplicate the pattern of other respiratory diseases and may recur seasonally, like the flu.

Avian Flu

By January 2004, it became evident that a serious avian flu outbreak was occurring throughout Asia. Appearing nearly simultaneously in multiple Asian countries, the outbreak of the deadly "H5N1" avian flu virus already had led to 11 human fatalities by January 29, 2004, raising fears that the virus could become a global disaster if it adapted sufficiently to spread through human contact. On January 27, 2004, a WHO official stated that a "staggering" number of birds, both migratory and domestic, were infected with the virus in at least 10 Asian countries.[34]

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[31] The two officials were party secretary of the Ministry of Health, Zhang Wenkang, and deputy party secretary of Beijing, Meng Xuenong.

[32] Quarantine figures cited in Pomfret, John, "Beijing to Allow WHO to Send Team to Taiwan," *Washington Post*, May 4, 2003, p. A25. Beijing did not reopen movie theaters in the city until June 10, 2003.

[33] In July 2003, the CDC lifted a series of travel advisories: on July 3, to mainland China other than Beijing; on July 8, to Toronto; July 9, to Hong Kong; on July 11, to Beijing; and on July 15, to Taiwan.

[34] As of January 29, 2004, infected countries reported by WHO were: South Korea, Vietnam, Japan, Taiwan, Thailand, Cambodia, Hong Kong, Laos, Pakistan, China, and (continued...)

On January 27, 2004, the PRC became the tenth country to acknowledge ongoing outbreaks of avian flu within its borders. PRC officials confirmed three initial outbreaks: flocks of ducks in Guangxi Province; ducks in Hunan Province; and chickens in Hubei Province.

Some critics saw the PRC's initial actions in the avian flu outbreak as a return to the secretive methods used in the early 2003 SARS outbreak in China. As in the 2003 SARS outbreak, they say, PRC officials denied any avian flu outbreak for months despite anecdotal reports to the contrary. On January 29, 2004, an official from a global organization monitoring animal disease outbreaks said that it had been pressing Asian governments since November 2003 for information on reports of avian flu, and that it had received no reports from the PRC.[35]

The first time an avian flu virus is known to have adapted to infect humans occurred in 1997, when an avian flu virus in Hong Kong's domesticated poultry population for the first time became transmittable directly from infected birds to humans. Eighteen people in Hong Kong contracted avian flu this way and six died. The Hong Kong government responded aggressively, in three days exterminating its entire poultry population of 1.5 million birds. Isolated outbreaks of human infection from avian flu-infected birds have recurred annually since then. Medical scientists are especially concerned about the new 2004 outbreak because they believe its significantly greater scale than previously known outbreaks increases the chance that the virus will adapt to become transmittable by human-to-human contact, greatly increasing its contagion.

On March 16, 2004, the PRC's Ministry of Agriculture announced it had ended isolation in the last remaining avian flu epidemic areas. According to the official, the PRC had eradicated all the bird flu cases it had discovered since the January 27 outbreak.

Economic Issues

The PRC is now the fourth largest U.S. trading partner, with total U.S.-China trade in 2002 pegged at $147 billion. Ongoing issues in U.S.-China economic relations include the substantial and growing U.S. trade deficit with China ($102.3 billion in 2002), repeated PRC failures to protect U.S. intellectual property rights (IPR), and the PRC's continuing restrictive trade practices. As a member of the World Trade Organization (WTO), which it formally joined on December 11, 2001, the PRC now is committed to making significant changes in its trade and tariff regimes by eliminating tariff and non-tariff barriers on many goods and services.

Members of Congress have been especially interested in assuring that the PRC adheres to its new WTO obligations. In legislation passed by the 106th Congress, the

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[34] (...continued)
Indonesia.

[35] Mallet, Victor, "Culture of secrecy blamed for flu's spread," in *Financial Times*, January 29, 2004, p. 13. The information was attributed to Alex Thiermann, an official from the Paris-based World Organization for Animal Health (OIE), of which the PRC is a member.

U.S. Trade Representative (USTR) was required to begin monitoring the PRC's compliance with its WTO obligations, and to issue an annual report to Congress offering that assessment. The first USTR report under this provision was submitted to Congress in December 2002. In it, USTR judged that the PRC has made significant progress in many areas but still has major problems, primarily in IPR protections and improving the transparency of its trade laws.[36]

Currency Valuation. Another issue in U.S.-PRC economic relations involves the PRC's continued decision to keep the value of its currency low with respect to the dollar. Since 1994, the PRC has pegged its currency, the renminbi (RMB), to the U.S. dollar at a rate of about 8.3 RMB to the dollar. In 2003, many U.S. policymakers concluded that this RMB/dollar peg is keeping the PRC's currency artificially undervalued, making PRC exports artificially cheap and making it harder for U.S. producers to compete fairly. U.S. critics of the PRC's currency peg charge that the PRC is unfairly manipulating its currency and they have urged Beijing either to raise the RMB's value or to make it freely convertible subject to market forces. Members of the 108th Congress have introduced legislation (H.R. 3058) to require the U.S. Secretary of the Treasury to analyze the PRC's exchange rate policies and, depending on the results of that analysis, to impose tariffs on PRC products to offset the price advantage the PRC gains from its currency policies.

Banking. In recent years, there has also been increasing concern about China's banking systems. Some leading authorities on China's economy have calculated that non-performing loans, primarily to insolvent state enterprises, account for a staggering 22% of the total lending of Chinese banks. (By comparison, South Korea, which received a record $60 billion international bailout to narrowly avert financial collapse during the Asian financial crisis in 1997, non-performing loans accounted for about 6% of total bank loans.)[37] In a further complication, the banking sector's shaky financial condition continues to make it more difficult for the PRC to make the investments in infrastructure, energy production, and environmental improvements to fuel the rate of economic growth China needs in order to keep pace with its demographic requirements.

National Security Issues

North Korea. The ongoing crisis over North Korea's nuclear weapons program poses dilemmas for PRC policymakers and could have potentially serious consequences for U.S.-China relations. As North Korea's military ally, the PRC could be drawn into any military conflict involving North Korea — meaning the possibility of U.S.-China military confrontation should U.S. officials decide to bomb the North Korean reactor at Yongbyon to prevent plutonium reprocessing. In addition, since the PRC is North Korea's principal trade partner, any decision by the international community to impose sweeping economic sanctions against North

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[36] For further details on China's economy, see CRS Report RS20139, *China and the World Trade Organization;* CRS Issue Brief IB91121, *China-U.S. Trade Issues*; and CRS Issue Brief IB98014, *China's Economic Conditions,* all by Wayne Morrison.

[37] See CRS Report RL31363, *China's Banking Reforms: Background and Issues for Congress*, by Dick Nanto and Radha Sinha.

Korea would appear to require PRC support. Lack of that support would undermine any sanctions effort and also damage U.S.-China relations. By the same token, collapse of the fragile North Korean regime could have equally unhappy consequences for the PRC, leading to floods of North Korean refugees into China and to the probable advance of U.S. military forces from the South Korean side of the demilitarized zone to the PRC border. To date, six-party negotiations between North and South Korea, the United States, the PRC, Japan, and Russia have produced no progress on the North Korea nuclear issue. A second round of six-party talks ended in Beijing on February 28, 2004, also with no agreement. A third is planned for later in 2004.

The nuclear program issue was revitalized on October 4, 2002, when North Korean officials told visiting U.S. officials that it was conducting a clandestine uranium enrichment program to produce nuclear weapons, in technical violation of its pledges under the 1994 U.S.-North Korean Agreed Framework. The United States responded by suspending the energy assistance it had agreed to provide North Korea under the Agreed Framework. The resulting crisis has continued to escalate as North Korea has withdrawn from the Nuclear Non-Proliferation Treaty, restarted its moth-balled nuclear reactor at Yongbyon, and flight-tested a new long-range cruise missile.[38] North Korea has demanded bilateral talks with the United States to resolve the crisis, while U.S. officials are seeking multilateral talks, including PRC involvement.

PRC officials have repeatedly emphasized that China supports a non-nuclear Korean peninsula. This support is thought to be genuine, since an unpredictable North Korea armed with nuclear weapons could have unpleasant consequences for Beijing — such as the creation of nuclear weapons programs in currently non-nuclear countries like Taiwan, Japan, and South Korea, or an accelerated U.S. commitment for a regional missile defense program, to name only two. But Beijing has stopped short of promising to put further pressure on North Korea, and in fact continues to prop up the North Korean regime with supplies of food and fuel and to advocate bilateral U.S.-North Korean dialogue.

Weapons Proliferation. For many years, U.S. officials and Members of Congress have been concerned about the PRC's track record of weapons sales, technology transfers, and nuclear energy assistance to certain countries in the Middle East and South Asia, particularly to Iran and Pakistan. While some U.S. officials have grown more confident that the PRC is changing its proliferation policies, Congressional and other critics charge that such confidence is misplaced.[39] They

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[38] North Korea reportedly tested its new long-range cruise missile on February 24, 2003, and restarted the nuclear reactor at Yongbyon several days later. Kralev, Nicholas, "Beijing rejects U.S. approach to Iraq, N. Korea; Powell raps human rights record," in *Washington Times*, February 25, 2003, p. A16; Gertz, Bill, "North Korea tested a cruise missile; U.S. revises view of Monday firing," *Washington Times*, February 27, 2003, p. A4. See also CRS Issue Brief IB98045, *Korea: U.S.-Korean Relations Issues for Congress*, by Larry Niksch.

[39] As reasons for such confidence, some point to the past decade, when the PRC has: 1992 — promised to abide by the Missile Technology Control Regime (MTCR) and acceded to

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point out that for years, reputable sources have reported China to be selling ballistic missiles and technology for weapons of mass destruction (WMD) in the international market, primarily in the Middle East. Although these allegations have always created problems in Sino-U.S. relations, they have taken on new and potentially significant implications given entrenched suspicions about Iraq's possession of WMD as well as recent disclosures that both Iran and North Korea are actively pursuing nuclear weapons programs. The PRC has had close relationships with all three countries in the past, including sales of military equipment that could threaten U.S. forces in the region and missiles that could enhance a nuclear weapons capability.[40]

Military Contacts. Once one of the stronger components of the relationship, U.S.-China military relations have never fully recovered after they were suspended following the 1989 Tiananmen Square crackdown. Nevertheless, both countries have cautiously resumed military contacts, although efforts to re-energize military ties since then have met with repeated setbacks. On February 10, 2004, U.S. Under Secretary of Defense Douglas Feith began the 6th round of high-level defense consultation talks in Beijing with PRC General Xiong Guangkai. Feith reportedly expressed U.S. concern about the missile build-up opposite Taiwan, saying it was counterproductive to mutual interests. U.S. Under Secretary of State for International Security and Arms Control John Bolton has held two rounds of meetings in Beijing on global security issues such as North Korea's nuclear weapons program and Iran. The talks were held on January 21, 2003, and again on July 28, 2003. In June 2002, Peter Rodman, U.S. Assistant Secretary of Defense for International Security Affairs, held talks with senior Chinese diplomats and military officials in Beijing, including Xiong Guangkai, China's Deputy Chief of Staff; Chi Haotian, China's Defense Minister; and Li Zhaoxing, Vice Foreign Minister.[41]

Tibet

The political and cultural status of Tibet remains a difficult issue in U.S.-China relations and a matter of debate among U.S. policymakers. Controversy continues over Tibet's current political status as part of China, the role of the Dalai Lama and his Tibetan government-in-exile, and the impact of Chinese control on Tibetan culture and religious traditions. The U.S. government recognizes Tibet as part of China and has always done so, although some dispute the historical consistency of this U.S. position. But the Dalai Lama, Tibet's exiled spiritual leader, has long had strong supporters in the U.S. Congress who have continued to pressure the White

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[39] (...continued)
the Nuclear Non-Proliferation Treaty (NPT); 1993 — signed the Chemical Weapons Convention (CWC); 1996 — signed the Comprehensive Test Ban Treaty; and 1997 — joined the Zangger Committee of NPT exporters.

[40] Iran, for instance, has purchased from the PRC small numbers of SA-2 surface-to-air missiles, F-7 combat aircraft, fast-attack patrol boats, and C-802 anti-ship cruise missiles. Some Members of Congress have questioned whether Iran's possession of C-802s violates the Iran-Iraq Arms Non-Proliferation Act of 1992 (U.S.C. 1701), which requires sanctions on countries that sell destabilizing weapons to Iran or Iraq.

[41] For background and further details, see CRS Report 97-391, *China: Ballistic and Cruise Missiles*, by Shirley Kan.

House to protect Tibetan culture and give Tibet greater status in U.S. law. It was largely because of this congressional pressure that in 1997, U.S. officials created the position of Special Coordinator for Tibetan issues, tasked with the specific mission of helping to promote talks between the Dalai Lama and the PRC government. The current Special Coordinator — Paula Dobriansky, Under Secretary of State for Global Affairs — is the highest-ranking U.S. official to have held this position.[42]

Although dialogue between the PRC and the Tibetan exile community remains officially stalled (no talks are currently scheduled or planned), a number of developments in 2002-2003 have led to speculation about whether there may be new momentum for progress between the two sides. Some observers have speculated that the stage may have been set for renewed momentum by changes since 2002 in the PRC leadership, particularly the ascendancy of Hu Jintao, the PRC's new President and Party General Secretary, who spent part of his career stationed in Tibet. In any event, observers are watching with interest a number of recent unusual developments that are outside the scope of what has come to be expected of Beijing's relations with the Dalai Lama's representatives. In 2002, the Dalai Lama's older brother, Gyalo Thondup, accepted a PRC invitation to spend several weeks in Tibet on a private visit. On at least three occasions since then, the PRC government has invited to China and to Lhasa (Tibet's capital) delegations from the Tibetan community led by the Dalai Lama's special envoy in the United States, Lodi Gyari. Further contacts and developments along these lines would reinforce the view that a quiet dialogue and perhaps compromise may be underway.

Hong Kong, "Article 23," and Democratization

Since late summer 2003, controversy has grown steadily in Hong Kong over the territory's ability to implement PRC promises for autonomous self-governance, as provided for in the Basic Law, Hong Kong's defacto constitution. Controversy began with the Hong Kong government's attempt to enact anti-sedition laws, known as the "Article 23" proposals. These ultimately were withdrawn in September 2003, after massive public protests were held to oppose them. The withdrawal was widely seen as a victory for Hong Kong autonomy and a setback for the PRC, which had publicly supported the Article 23 proposals. This controversy was followed in January 2004, by peaceful demonstrations involving tens of thousands of Hong Kong people in favor of implementing universal suffrage to elect the next Chief Executive in 2007 and the next Legislative Council in 2008. Since the Basic Law is silent on how Hong Kong's officials are to be chosen beginning in 2007, democracy activists argued that such a rapid pace for political change was permissible under the Law.

In his annual policy address on January 7, 2004, Hong Kong's Chief Executive, Mr. Tung, announced that instead of following through on his pledge of 2003 to lay out a timetable for public consultations on democratic reforms in 2007, he was appointing a task force to hold consultations with Beijing on the subject of democratic reform. Immediately following the Tung address, the PRC's official news agency, *Xinhua*, announced that Hong Kong must consult Beijing *prior* to moving

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[42] For background and details, see CRS Report RL30983, *Tibet, China, and the 107th Congress: Issues for U.S. Policy.*

forward on any democratic reform development. PRC rhetoric continued to strengthen in subsequent months. On March 1, 2004, PRC leaders published a blacklist of pro-democracy Hong Kong groups, saying they were too anti-China to serve in any future Hong Kong government. The following day, on March 2, 2004, the PRC government warned that if a pro-democracy majority were to take control of Hong Kong's legislature in elections in September 2004, Hong Kong's entire political system would collapse.

But in April 2004, Beijing dealt Hong Kong's democratic aspirations a stinging setback by initiating an "interpretation" of the Basic Law to the effect that universal suffrage not only was not allowed as early as 2007, but that Beijing, and not Hong Kong, would determine the proper pace for democratic reforms. On May 8, 2004, Beijing further stated that it would be illegal for Hong Kong's law-makers to introduce motions opposing Beijing's decision in the Hong Kong legislature. Critics maintain that the Beijing decisions have contravened provisions in Hong Kong's Basic Law leaving decisions on democracy development up to Hong Kong. They pointed out that only changes in selecting the Chief Executive after 2007 are subject to final approval by Beijing. Under Annex I to the Basic Law, a proposal for full universal suffrage for the legislature need only be sent to Beijing "for the record," not for approval. The PRC decisions on Hong Kong have particular relevance for Taiwan, since Beijing has held out the "one country, two systems" approach for Hong Kong as a model for Taiwan's eventual reunification with mainland China.

The current controversy over democratization in Hong Kong also could affect U.S. policy toward Hong Kong, which is set out in the U.S.-Hong Kong Policy Act of 1992 (P.L. 102-383). In addition to requiring annual U.S. government reports on Hong Kong's conditions through 2006, this Act allows the United States to treat Hong Kong more leniently than the way it treats the PRC on the condition that Hong Kong remains autonomous. Under the Act, the President has the power to halt existing agreements with Hong Kong or take other steps if he determines that Beijing is interfering unduly in Hong Kong's affairs.[43]

U.S. Policy Trends

The U.S. policy approach of the current Bush Administration toward the PRC appears to have charted a hybrid middle territory, borrowing different aspects from the three different camps into which the U.S. policy community has sorted itself over Sino-U.S. policy in the last 15 years. Those camps are:

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[43] A specific intention of the Hong Kong Policy Act was to permit the U.S. government to treat Hong Kong differently from the way it treats the rest of China in U.S. law. Thus, the United States has an extradition treaty with Hong Kong but not with China; maintains a liberalized export control regime with Hong Kong but a restrictive one with China; and gives Hong Kong permanent most-favored-nation (MFN) trade status — or "normal trade relations" as it is now known — but gave that status to China separately upon its accession to the WTO.

Engagement. The "engagement" approach toward the PRC, which dominated U.S. policy since the Nixon Administration, including in the George H. W. Bush and William Clinton Administrations. Underlying this approach is a belief that trends in China are moving inexorably in the "right" direction. That is, the PRC is becoming more economically interdependent with the international community and therefore will have a greater stake in pursuing stable international economic relationships. They contrast this behavior favorably with that of disruptive states such as Iraq or North Korea — those who are not part of the international system and who may support the kind of global terrorism that struck the United States on September 11, 2001. Some also believe that growing wealth in the PRC will push Chinese society in directions that will develop a materially better-off, more educated, and cosmopolitan populace that will, over time, press its government for greater political pluralism and democracy. Therefore, according to this view, U.S. policy should seek to work more closely with the PRC in order to encourage these positive long-term trends. Some proponents of the "engagement" approach fear that viewing the PRC as a "threat" is a self-fulfilling prophecy that could promote a number of potentially disastrous policy consequences for U.S. interests. These include a possible breakdown in PRC governance, a fragmentation of the country itself, or the creation of greater Chinese nationalism with a strong anti-American bias.

Caution. American proponents of what might be called a "cautious" policy toward the PRC stress that Beijing officials still view the world as a state-centered, competitive environment where power is respected and interdependence counts for little. This group sees PRC leaders as determined to use all means at their disposal to increase their nation's wealth and power. They suggest that PRC leaders may be biding their time and conforming to many international norms as a strategy, until China builds its economic strength and can take more unilateral action. Once it succeeds with economic modernization, this argument holds, Beijing may be less likely to curb its narrow nationalistic or other ambitions because of international constraints or sensitivities. According to this approach, the United States should strengthen its regional alliances and maintain a robust military presence in Asia as a counterweight to the PRC.

Threat. A third and more confrontational American approach has been based on the premise that the PRC under its current form of government is inherently a threat to U.S. interests, and that the Chinese political system needs to change dramatically before the United States has any real hope of reaching a constructive relationship with the PRC. According to this approach, Beijing's communist leaders are inherently incapable of long-term positive ties with the United States. Rather, Beijing seeks to erode U.S. power and arm U.S. enemies in the region. Despite the statements of support for the U.S. anti-terrorism campaign, according to this view, the PRC's repeated violations of its non-proliferation commitments have actually contributed to strengthening and arming nations that harbor global terrorists. U.S. policy should focus on mechanisms to change the PRC from within while maintaining a vigilant posture to deal with disruptive PRC foreign policy actions in Asian and world affairs.

Major Legislation

P.L. 108-7 (H.J.Res. 2)

Consolidated Appropriations Resolution for FY2003. The law prohibits funds funds for export licenses for satellites of U.S. origin, including commercial satellites and component parts, unless the House and Senate Committees on Appropriations are notified at least 15 days in advance. The law as passed changes the name of the U.S.-China Security Review Commission to the U.S.-China Economic and Security Review Commission and provides the Commission with $1 million for salaries and expenses; prohibits U.S. funds made available for the United Nations Population Fund (UNFPA) may be used in the PRC; and provides that "not less than" $25 million be made available to support democracy, human rights, and rule of law programs in the PRC, Hong Kong, and Tibet. The bill was introduced on January 7, 2003, passed the House by voice vote on January 8, 2003, and passed the Senate, amended, on January 23, 2003 (69-29). A Conference was held on February 10, 11, and 13, 2003, and Conference Report 108-10 was filed on February 13. The House agreed to the Conference Report on February 13 (338-83), as did the Senate (76-20). The bill was signed by the President on February 20, 2003, and became P.L. 108-7.

P.L. 108-28 (H.R. 441/S. 243)

On Taiwan's admission as an observer to the World Health Organization (WHO). The bill amends P.L. 107-10 to authorize the United States to endorse and push for Taiwan's admission as an observer to the WHO at the annual summit of the World Health Assembly in Geneva in May 2003. Introduced on January 29, 2003, and referred to the House International Relations Committee, which marked up the bill on March 5, 2003. On March 11, 2003, the bill was considered under suspension of the rules, passing by a vote of 414-0. On April 9, 2003, the Senate Committee on Foreign Relations favorably reported S. 243, which the Senate passed by unanimous consent on May 1, 2003. That bill was sent to the House International Relations Committee, which was discharged on May 14, 2003, on a motion by Representative Rohrabacher. The House passed the measure on May 14, 2003, and the President signed the bill into law on May 29, 2003. Prior to this, on May 18, 2003, the United States announced it would back Taiwan's bid for observer status at the WHO Geneva meeting.

H.Con.Res. 98 (Ramstad)

A resolution expressing the sense of Congress that the United States should negotiate a free trade agreement with Taiwan. Introduced March 18, 2003. Referred to House Ways and Means Committee's Trade Subcommittee on March 20, 2003.

H.Con.Res. 285 (Manzullo)

A resolution expressing congressional concern over currency manipulation by foreign governments. In particular, the bill cites the PRC, saying that its continued policy of pegging the yuan to the dollar is a currency manipulation that "violates Article XV (4) of the General Agreement on Tariffs and Trade 1994 (as defined in section 2 of the Uruguay Round Agreements Act), and is unjustifiable and unreasonable, and burdens and restricts United States commerce, under section 301 of the Trade Act of 1974..." The measure was introduced on September 17, 2003, and referred to the House Ways and Means Committee.

H.Con.Res. 304 (Ros-Lehtinen)

A measure addressing the PRC's oppression of the Falun Gong in the United States and China. Introduced on October 16, 2003, and referred to the House International Relations Committee and the House Judiciary Committee.

H.Res. 199 (Frank)

A measure calling on the PRC to immediately and unconditionally to release Dr. Yang Jianli. Introduced April 11, 2003, and referred to the House International Relations Committee's Asia and Pacific Subcommittee. The subcommittee held mark-up on June 10, 2003, and the full Committee held mark-up and reported the measure on June 12, 2003. The House passed the measure on the suspension calendar on June 25, 2003, by a vote of 412-0.

H.Res. 277 (Cox)

Expressing support for freedom in Hong Kong. The measure was introduced on June 16, 2003, and referred to the House Committee on International Relations, which marked up and reported the measure on June 17, 2003. The House passed the measure on the suspension calendar on June 26, 2003, by a vote of 426-1.

H.Res. 414 (English)

Encouraging the PRC to fulfill its WTO commitments and establish monetary and financial market reforms. Introduced on October 28, 2003, and referred to the House Ways and Means Committee. The House considered the bill under suspension of the rules on October 29, 2003, passing it by a vote of 411-1.

H.R. 247 (Wolf)

Making appropriations for the Department of Commerce, State, Justice, and the Judiciary for FY2003. Title IV of the bill contains a provision prohibiting funds for export licenses for satellites of U.S. origin, including commercial satellites and component parts, unless the House and Senate Committees on Appropriations are notified at least 15 days in advance. The bill was introduced on January 8, 2003, and referred to the House Committee on Appropriations.

H.R. 851 (Slaughter)

To assess the impact of the North American Free Trade Agreement (NAFTA) and the entry of the PRC into the World Trade Organization (WTO) on U.S. jobs, workers, and the environment. Introduced on February 13, 2003, and referred to the House Ways and Means Committee, Subcommittee on Trade.

S. 1586 (Schumer)

Authorizing a duty of 27.5% on any and all PRC imports to the United States if negotiations on China's undervalued currency are not successful. Introduced on September 5, 2003, and referred to the Senate Finance Committee.

S. 1758 (Voinovich)

Requiring the Secretary of the Treasury to analyze and report on the PRC's exchange rate policies and then impose tariffs on PRC imports equal to the value of the currency manipulation. Introduced on October 20, 2003, and referred to the Senate Finance Committee. (A similar bill, H.R. 3058, was introduced in the House

on October 10, 2003 by Congressman Phil English and referred to the House Ways and Means Committee.)

Chronology

05/16/04 — A PRC spokesman warned that Beijing would "crush" any move Taiwan made toward independence.

05/06/04 — During his stop in Brussels, Premier Wen Jiabao said that China and the EU should develop a "comprehensive strategic partnership."

05/05/04 — Eight PRC warships sailed through Hong Kong's Victoria Harbor — the first visible demonstration of the PRC military presence since the 1997 handover of Hong Kong to Chinese sovereignty.

05/04/04 — According to the *Asian Wall St. Journal*, the PRC signed a deal with Pakistan to help it build a 300-megawatt nuclear power plant — the second plant that Beijing will have helped the country to build.

05/03/04 — PRC Premier Wen Jiabao began an eleven-day trip to European Union (EU) countries, including visits to Germany, Brussels, Italy, Britain, and Ireland.

05/01/04 — The PRC Health Ministry confirmed a sixth case of SARS this year. All of the cases have been traced back to people who worked at the Beijing's Institute of Virology, which houses the SARS virus.

04/22/04 — The Senate Foreign Relations Committee's East Asian and Pacific Affairs Subcommittee held hearings on "U.S.-China relations: status of reforms in China."

04/21/04 — The House International Relations Committee held a hearing on the Taiwan Relations Act: the next 25 years.

04/19/04 — In a visit that was not acknowledged by the PRC until it was over, North Korean leader Kim Jong-il began three days of discussions with leaders in Beijing.

04/19/04 — PRC Vice-Premier Wu Yi left China to attend the 15th meeting of the Sino-U.S. Joint Commission on Commerce and Trade.

04/17/04 — As a consequence of decisions at the European Union ministerial meeting, EU ministers told the PRC that the EU would keep in place the arms embargo against China.

04/15/04 — During his three-day visit to China, Vice President Cheney gave a speech at Fudan University in Shanghai.

04/15/04 — Paul Speltz, U.S. Executive Director of the Asian Development Bank, was appointed an economic emissary to the PRC, a new U.S. post created to help encourage the PRC to de-link its currency peg to the U.S. dollar. The appointment was announced by U.S. Secretary of the Treasury John Snow. (*AWStJ*, April 15, 2004, p. A5)

04/15/04 — The U.N. Commission on Human Rights, at their annual meeting in Geneva, voted in favor of a "take no action" resolution on a U.S.-sponsored measure condemning China's human rights record.

04/13/04 — U.S. Vice President Dick Cheney began a three-day visit to China as part of a larger visit in Asia that also included visits in Japan and South Korea.

04/11/04 — Thousands of Hong Kongers marched through downtown Hong Kong to protest the result of the NPC Standing Committee's "interpretation" of the pace that the Basic Law sets out for democratization.

04/07/04 — Mr. Qiao Xiaoyang, deputy secretary general of the NPC Standing Committee, arrived in Hong Kong to hold meetings about the recent NPC Standing Committee interpretation of the Basic Law.

04/06/04 — The NPC Standing Committee issued an "interpretation"of Annex I and Annex II, the provisions of Hong Kong's Basic Law that say changes can be implemented "if necessary" in electing the Chief Executive and the legislature after 2007-2008.

04/03/04 — Japan's Foreign Minister, Yoriko Kawaguchi, began two days of meetings in China with PRC Premier Wen Jiabao, Foreign Minister Li Zhaoxing, and State Councillor Tang Jiaxuan.

04/01/04 — According to the *South China Morning Post*, a group of local Hong Kong businesses at The Hong Kong Business Community Joint Conference issued a statement saying that Hong Kong would not be ready for universal suffrage in 2007.

03/31/04 — House Energy and Commerce Committee hearing on "U.S.-China Trade: Preparations for the Joint Commission on Commerce and Trade."

03/30/04 — Hong Kong's Constitutional Development Task Force met in Beijing with members of the PRC's National People's Congress (NPC) Standing Committee.

03/29/04 — The Senate Democratic Policy Committee held a hearing on the findings of an AFL-CIO petition challenging PRC trade abuses.

03/04/04 — The PRC released on medical parole one of its best-known political prisoners, Wang Youcai, a co-founder of the short-lived China

Democracy Party. Earlier, the PRC released an imprisoned Tibetan nun and announced a one-year reduction in Uighur businesswoman Rebiya Kadeer's prison sentence (to 2006).

03/02/04 — The PRC government warned that if a pro-democracy majority took control of Hong Kong's legislature in September 2004 elections, Hong Kong's entire political system would collapse.

02/25/04 — According to the State Department's annual Country Report on Human Rights for 2003, the PRC had been "backsliding" on human rights in the past year.

02/06/04 — PRC Vice-Foreign Minister Zhou Wenzhong said that the PRC wants the U.S. to put more pressure on Taiwan about the decision to hold a national referendum in March 2004.

02/05/04 — The PRC's Ministry of Labor and Social Security announced the PRC's first minimum wage regulations, scheduled to take effect on March 1, 2004.

02/04/04 — The *Asian Wall St. Journal* warned that the effects of avian flu on the PRC's poultry industry could result in steep cuts in Chinese soy product imports, 40% of which come from the United States.

02/03/04 — Taiwan's president, Chen Shui-bian, outlined a "peace and stability framework" for talks between Taiwan and the PRC, to include a demilitarized zone (DMZ).

01/30/04 — China's official news agency reported avian flu outbreaks in poultry in 3 additional locations: Anhui Province, Shanghai, and Guangdong Province.

01/27/04 — - After months of official denials despite unsubstantiated reports that the H5N1 strain of avian flu had hit China, the PRC became the tenth Asian country to acknowledge presence of the virus.

12/09/03 — PRC Premier Wen Jiabao, in his first visit to the United States as premier, met in the White House with President Bush. In remarks after the meeting, President Bush said that the United States opposed "any unilateral decision, by either China or Taiwan, to change the status quo....The comments and actions made by the leader of Taiwan indicate he may be willing to make decisions unilaterally that change the status quo, which we oppose."

12/03/03 — The Chinese Government published a new White Paper entitled "China's Antiproliferation Policy and Measures." See full text at [http://www.chinesemission-vienna.at/eng/59838.html].

12/03/03 — The *Asian Wall St. Journal* reported that the European Union (EU) was considering lifting the embargo imposed on arms sales to China after the 1989 Tiananmen Square crackdown (p. A2).

12/01/03 — A new PRC policy took effect setting an independent encryption standard for wireless communications in China. After an initial six-month grace period, the new standard, which differs from the current global standard, will apply to equipment imported into or sold in China.

11/20/03 — PRC Major General Wang Zaixi was quoted saying that "the use of force may become unavoidable" in dealing with Taiwan.

11/19/03 — Secretary of Commerce Donald Evans announced that in 2004 the United States would impose emergency quotas on imports of Chinese knit fabrics, dressing gowns and robes, and bras.

11/12/03 — A visiting PRC trade delegation announced they would sign agreements worth approximately $2.4 billion to buy aircraft and engines from Boeing and General Electric.

10/15/03 — The PRC launched its first manned spaceflight. Lt. Col. Yang Liwei orbited the earth for 21 hours, returning to land in Inner Mongolia.

10/02/03 — The PRC's new leadership rescinded a long-standing law that couples wishing to marry first obtain the approval of their employers.

09/11/03 — The Dalai Lama spoke at the Washington National Cathedral. While in Washington, he met with President George W. Bush (September 9) and Secretary Colin Powell (September 11).

09/05/03 — The Hong Kong government announced it was withdrawing the "Article 23" internal-security proposals.

07/01/03 — Massive public demonstrations were held in Hong Kong to protest the government's proposed "anti-sedition" laws, required by Hong Kong's de-facto constitution.

06/11/03 — The *Washington Post* cited Chinese sources as saying the PRC would reduce the size of the People's Liberation Army (PLA) over the next five years by 20%, or 500,000 troops.

06/06/03 — A U.S. federal judge issued an injunction prohibiting a Chinese company, Huawei Technologies Ltd., from using software that a U.S. company, Cisco, claimed was a copy of its own patented software.

05/23/03 — The Federal Register noted that the Department of State had imposed a two-year ban on U.S. imports from the PRC's North China Industries Corporation (NORINCO), having determined it had

engaged in missile technology proliferation. The ban was made under the terms of Executive Order #12938 of November 14, 1994.

05/16/03 — The U.S. Drug Enforcement Agency announced a successful end to the first joint U.S.-PRC sting operation against international heroin-smuggling. Dubbed "Operation City Lights," the two-year effort involved agents from China, Hong Kong, and the United States.

05/08/03 — A Department of State spokesman announced that the U.S. Agency for International Development had provided the Chinese Red Cross Society in the PRC with $500,000 in emergency U.S. aid to help combat SARS.

05/07/03 — The U.S. Congressional-Executive Commission on China concluded that the spread of SARS in China had been facilitated by deficiencies in China's legal system and state control of the press.

04/28/03 — WHO's representative in China, Henk Bekedam, said in Beijing that even "very basic information" about new SARS cases in the city was still not being made available to WHO investigators.

04/20/03 — The PRC government announced that the Mayor of Beijing, Meng Xuenong, and the Minister of Health, Zhang Wenkang, were being removed from their positions for failing to effectively combat the SARS epidemic.

04/16/03 — WHO Officials said that the Chinese Government still was not doing enough to combat the new SARS virus. To date, over 1400 cases have appeared in China.

04/11/03 — The United States announced it would not sponsor a resolution condemning China's human rights record at the annual meeting of the U.N. Human Rights Commission in Geneva.

03/16/03 — At the conclusion of the annual session of the PRC's de-facto legislature, the National People's Congress, PRC president Jiang Zemin stepped down and Hu Jintao, current Party Secretary, was named as his successor.

02/28/03 — PRC officials released Zhang Qi, a U.S.-based Chinese dissident detained in China for eight months. Ms. Zhang had been arrested with her fiancee, Wang Bingzhang, who was convicted in a PRC court on February 9, 2003, of spying for Taiwan and planning terrorist acts.

12/24/02 — Under U.S. pressure, the PRC government released prominent democracy activist Xu Wenli, who was jailed for four years for trying to establish the China Democracy Party. Mr. Xu, released ostensibly for health reasons, flew to the United States with his wife.

11/08/02 — The 16th Party Congress began, ultimately resulting in the selection of a new 24-member Politburo, a new 9-member Standing Committee, and a new Party Secretary, Hu Jintao.

08/26/02 — U.S. Deputy Secretary of State Armitage announced the United States was placing the East Turkestan Islamic Movement on a list of terrorist groups.

08/25/02 — Beijing published new missile-related export control regulations.

01/01/02 — China received permanent normal trade relations from the United States as specified in P.L. 106-246.

12/11/01 — The PRC formally joined the World Trade Organization.

09/11/01 — Terrorists hijacked four U.S. commercial airliners and crashed them into the World Trade Center, the Pentagon, and in rural Pennsylvania. Senior PRC officials expressed their sympathy, condolences, and qualified support.

07/13/01 — Beijing won the right to host the 2008 Olympic Games.

04/12/01 — China released 24 American EP-3 crew members held since April 1, 2001.

04/01/01 — A PRC F8 fighter collided with a U.S. Navy EP-3 reconnaissance plane over the South China Sea. The EP-3 made an emergency landing on Hainan island.

For Additional Reading

CRS Issue Briefs and Reports

CRS Issue Brief IB98034. *Taiwan: Recent Developments and U.S. Policy Choices.*

CRS Report RL31729. *China-U.S. Relations in the 107th Congress: Policy Developments, 2001-2002.*

CRS Report RL31661. *China's New Leadership Line-up: Implications for U.S. Policy.*

CRS Report RS21351. *Sino-U.S. Summit, October 2002.*

CRS Electronic Briefing Book, *Terrorism.*
[http://www.congress.gov/brbk/html/ebter1.shtml].

CRS Report RS21292. *Agriculture: U.S.-China Trade Issues.*

CRS Report RS20876. *Collision of U.S. and Chinese Aircraft: Selected Legal Considerations.*

CRS Report RS20139. *China and the World Trade Organization.*

CRS Report RL30983. *Tibet, China, and the 107th Congress.*

CRS Report RS20476. *China's Xinjiang-Uighur Autonomous Region: Current Developments and U.S. Interests.*

CRS Report RS20333. *China and 'Falun Gong.'*

CRS Report RL30341. *China/Taiwan: Evolution of the 'One-China' Policy — Key Statements from Washington, Beijing, and Taipei.*

CRS Report RL31164. *China: Labor Conditions and Unrest*.

Appendix I

Selected Visits by U.S. and PRC Officials

May 10, 2004 — John Taylor, U.S. Treasury Under Secretary for International Affairs, left for a six-day trip to China, Japan, and Korea. He was joined for the China portion of the trip (May 10-11) by Ambassador Paul Speltz, new U.S. economic and financial emissary to the PRC.

April 19, 2004 — PRC Vice-Premier Wu Yi left China to attend the 15th meeting of the Sino-U.S. Joint Commission on Commerce and Trade, scheduled in Washington DC for April 21, 2004.

April 13, 2004 — U.S. Vice President Dick Cheney began a three-day visit to China as part of a larger visit in Asia that also included visits in Japan and South Korea. During a speech he gave in Shanghai, the Vice President said, "if any changes are to occur with respect to the current circumstances in the strait, it should be through negotiation. We oppose unilateral efforts on either side to try to alter the current set of circumstances...."

February 16, 2004 — John Bolton, U.S. Under-Secretary of State for Arms Control and International Security, in Beijing attended the third round of U.S.-China consultations on non-proliferation and other security issues.

February 10, 2004 — U.S. Under Secretary of Defense Douglas Feith began the 6th round of high-level defense consultation talks in Beijing with PRC General Xiong Guangkai. Feith reportedly expressed U.S. concern about the missile build-up opposite Taiwan, saying it was counterproductive to mutual interests.

January 28 — February 4, 2004 — Deputy Secretary of State Richard Armitage visited the PRC, meeting with Premier Wen Jiabao and Defense Minister Cao Gangchuan, to discuss issues involving North Korea and Taiwan. While there, the Deputy Secretary questioned the motives of Taiwan's referendum proponents, saying, "As much as we respect Taiwan's democracy, the referendum...does raise questions."

December 7, 2003 — PRC Premier Wen Jiabao began his first visit to the United States as Premier. On December 9, 2003, he met with President Bush in the White House, discussing Taiwan, North Korea, and trade issues.

November 17, 2003 — Deputy U.S. Trade Representative Josette Shiner began a week-long trip to Beijing to discuss intellectual property rights protection.

November 4, 2003 — U.S. Under Secretary of State Alan Larson visited China. Larson is Under Secretary of State for Economic, Business, and Agricultural Affairs on the Millennium Challenge Account.

October 26, 2003 — U.S. Secretary of Commerce Don Evans began a three-day trip to China as part of an eight-day mission to Asia, meeting with Premier Wen Jiabao

and also addressing the AmCham (American Chamber)-China Corporate Stewardship Forum.

October 17, 2003 — President Bush left for Asia to attend the annual summit of the Asia-Pacific Economic Cooperation (APEC) in Bangkok and visit several other Asian countries, although not China. He is expected to meet with PRC leaders at the APEC summit.

July 28, 2003 — U.S. Under Secretary of State for International Security and Arms Control John Bolton began a second round of meetings in Beijing on global security issues, including North Korea's nuclear weapons program and Iran.

April 23, 2003 — U.S. Assistant Secretary of State for East Asian Affairs James Kelly completed a first day of talks in China on North Korea's nuclear weapons program.

February 23-24, 2003 — Secretary of State Colin Powell met with PRC leaders in Beijing as part of a trip to China, Japan, and South Korea.[44]

February 16-20, 2003 — U.S. Trade Representative Robert Zoellick visited China, including stops in Beijing, Chongqing, Shanghai, and Hong Kong.

January 21, 2003 — U.S. Under Secretary of State for International Security and Arms Control John Bolton held talks in China on North Korea's nuclear weapons program.

December 16, 2002 — Lorne Craner, U.S. Assistant Secretary of State for Democracy, Human Rights, and Labor, arrived in China with a U.S. delegation for the China Human Rights Dialogue. On December 18, 2002, the group went on to the Xinjiang-Uighur Autonomous Region in China's far northwest.

October 25, 2002 — President Bush held a state visit with PRC President Jiang Zemin at the president's ranch in Crawford, Texas.

October 18, 2002 — U.S. Assistant Secretary of State James Kelly arrived in Beijing to discuss issues involving North Korea.

October 8 - 14, 2002 — U.S. Vice-Admiral Paul Gaffney, President of the U.S. National Defense University, led an 8-member team from the U.S. National Defense University for meetings in China. The group met with PRC Defense Minister Chi Haotian in Beijing, then visited Xi'an, Hangzhou, and Shanghai. Gaffney was the most senior U.S. military officer to visit China since the EP-3 incident in April 2001.

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[44] In conjunction with Iraq-related meetings of the U.N. Security Council, Secretary Powell also held bilateral talks in New York in 2003 with PRC Foreign Minister Tang Jiaxuan on January 19, February 4, February 24, March 7, and March 14 of 2003.

August 26, 2002 — Deputy Secretary of State Richard Armitage, in Beijing for a series of meetings, announced that the United States was placing the East Turkestan Islamic Movement, a group in China, on a U.S. terrorist list.

June 25, 2002 — U.S. Assistant Secretary of Defense for International Security Peter Rodman arrived in Beijing for official talks.

February 21-22, 2002 — President Bush visited China, Japan, and South Korea. The visit resulted in no new U.S.-China agreements, nor were any anticipated.

Appendix II

Selected U.S. Government Reporting Requirements

International Religious Freedom Report, China (*annual report*)
Most recent date available: December 18, 2003
Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor
Legislative authority: P.L. 105-292, The International Religious Freedom Act (IRFA) of 1998, Section 102(b).
Full text: [http://www.state.gov/g/drl/rls/irf/2003/]

U.S. Commission on International Religious Freedom (*annual report*)
Most recent date available: May 2004
Agency: U.S. Commission on International Religious Freedom (USCIRF)
Legislative authority: P.L. 105-292, of the International Religious Freedom Act (IRFA) of 1998, Section 203.
Full text: [http://www.uscirf.org/reports/12May04/finalReport.php3]

Reports on Human Rights Practices, China (*annual report*)
Most recent date available: February 25, 2004
Agency: U.S. Department of State, Bureau of Democracy, Human Rights, and Labor Legislative authority: The Foreign Assistance Act of 1961 (FAA), as amended, Sections 116(d) and 502(b); and the Trade Act of 1974, as amended, Section 504.Full text: [http://www.state.gov/g/drl/rls/hrrpt/2003/27768.htm]

Military Power of the People's Republic of China (*annual report*)
Most recent date available: July 28, 2003
Agency: U.S. Department of Defense
Legislative authority: P.L. 106-65, the National Defense Authorization Act for FY2000, Section 1202
Full text: [http://www.defenselink.mil/pubs/20030730chinaex.pdf]

Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions (*semi-annual report*)
Most recent date available: January 1 through June 30, 2003
Agency: Director of Central Intelligence
Legislative authority: FY1997 Intelligence Authorization Act, Section 721
Full text: [http://www.cia.gov/cia/reports/721_reports/pdfs/jan_jun2003.pdf]

International Narcotics Control Strategy Report, 2002 (*annual report*)
Most recent date available: March 1, 2004
Agency: U.S. Department of State, Bureau for International Narcotics and Law Enforcement Matters
Legislative authority: Section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291); sections 481(d)(2) and 484(c) of the FAA; and section 804 of the Narcotics Control Trade Act of 1974, as amended). Also provides the factual basis for designations in the

President's report to Congress on major drug-transit or major illicit drug producing countries pursuant to P.L. 107-115, the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, Section 591.

Full text: [http://www.state.gov/g/inl/rls/nrcrpt/2003/]

Report to Congress on China's WTO Compliance (*annual report*)

Most recent date: December 11, 2003

Agency: United States Trade Representative

Legislative authority: P.L. 106-186, the U.S.-China Relations Act of 2000, authorizing extension of Permanent Normal Trade Relations to the PRC, section 421.

Full text:

[http://www.ustr.gov/regions/china-hk-mongolia-taiwan/2003-12-18-china.pdf]

Report Monitoring to Congress on Implementation of the 1979 U.S.-PRC Agreement on Cooperation in Science and Technology (*biannual report*)

Most recent date: Pending (due April 1, 2004)

Agency: U.S. Department of State, Office of Science and Technology Cooperation

Legislative Authority: P.L. 107-314, Bob Stump National Defense Authorization Act Section for FY2003, Section 1207.

Full text: Due April 1, 2004.

Report on Tibet Negotiations *(annual report)*

Most recent date: May 16, 2003

Agency: U.S. Department of State, Bureau of East Asian and Pacific Affairs

Legislative Authority: P.L. 107-228, Foreign Relations Authorization Act, 2003 Section 613.

Full text: [http://www.state.gov/p/eap/rls/rpt/20699.htm]