

# NBR BRIEFING

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## POLICY REPORT

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### **The Impact of the Kosovo Conflict on China's Political Leaders and Prospects for WTO Accession**

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*The bombing of the Chinese embassy in Belgrade and the U.S. rejection in April of China's unprecedented concessions for joining the WTO have exposed the limits of what is possible in U.S.-China relations. While the long-term prospects for U.S.-China relations generally remain positive, the events in April and May have put those in China advocating further integration into the global economy on the defensive. The political vulnerability of President Jiang Zemin and Premier Zhu Rongji is apparent as they scramble to define a new set of policies in response to critics within the government and among the broader populace. The downturn in U.S.-China relations has suspended WTO negotiations and created a new set of constraints for those on both sides of the negotiating table who favor China's accession to the WTO.*

*Many analysts underestimate the difficulty of the political situation in Beijing, and conventional wisdom in the United States is that China needs to make the next move in repairing U.S.-China relations. However, this study states that a renewed expression of interest on the part of the United States could be the best means to resume WTO negotiations and improve U.S.-China relations. Without such action, China is likely to postpone serious efforts to join the WTO. When the Chinese leadership retreats to Beidaihe in July for its annual policy deliberations, it is likely to make a decision on whether to resume talks with the United States on WTO accession.*

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NATO's decision to use force in Kosovo and especially the bombing of the Chinese embassy in Belgrade on May 8 (Beijing time) are likely to have a long-term impact on U.S.-China relations as well as the domestic political situation in China. The most immediate impact is likely to be felt in the area of the World Trade Organization (WTO), where China's participation, while still possible, has been thrown very much in doubt by recent events. To understand the impact, it is useful to back up a bit.

China and the United States have been negotiating on GATT/WTO for 13 years, since China first applied for admission in 1986. Despite initial progress, the Tiananmen incident destroyed the political atmosphere even as American negotiators increasingly realized the potential for China's economic growth and began demanding tougher, commercially viable, terms. The single biggest problem, however, was Li Peng, a staunch opponent of China's entry, who took over the premiership in 1988 but became a genuinely powerful actor following the ouster of Zhao Ziyang, the general secretary of the Chinese Communist Party, after Tiananmen. China's interest seems to have picked up prior to the inauguration of the WTO in 1995, but Chinese negotiators still seem to have hoped for a political pass instead of the sort of serious negotiations that would have made China's entry viable. Finally, in the spring of 1998, Zhu Rongji replaced Li Peng as premier, and the political dynamic in China began to change as U.S.-China relations improved. Nevertheless negotiations prior to President Clinton's June 1998 visit to China were unsuccessful, perhaps because Zhu had not had time to focus on WTO issues. At the time, Zhu was trying to carry out a major overhaul of the Chinese government that must have made any serious discussion of WTO issues difficult. Hence, China seems to have again pinned its hopes on the improved political atmosphere, hoping that it would allow China's entry without significant concessions.

China's position shifted in early 1999. Viewed broadly, this shift reflected Beijing's assessment that globalization was unstoppable and that China had to either join the trend or be left behind. It also reflected a maturing of the Chinese economy as market forces expanded and as increasing numbers of industries developed interests in lowering tariffs (to lower the costs of imports) or expanding export markets. After all, some 40 percent of China's economy is linked to the international market.<sup>1</sup> More specifically, however, the decision to make a major effort to join the WTO reflected the pressures facing China following the Asian financial crisis. As the economy slowed, China looked for new ways to boost exports, shore up foreign investment, and, most important, make Chinese industry more competitive. Pressures from joining the WTO could be used to encourage state-owned enterprises (SOEs) to break up monopolies, to become more competitive, or to go out of business. Any option would make the Chinese economy more efficient and reduce the heavy burden of subsidies on the Chinese government. As Premier Zhu put it, "Competition arising from such a situation will promote the more rapid and healthy development of China's national economy."<sup>2</sup> There was also concern that pressures would

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<sup>1</sup> This is the case if one uses exchange rates to calculate the size of the Chinese economy; purchasing power parity estimates yield a lower figure for the importance of international trade.

<sup>2</sup> Wang Yanjuan, "WTO: How Close is the Deal?" *Beijing Review*, no. 19 (May 10, 1999), pp. 14-16.

mount for letting Taiwan into the WTO ahead of the PRC. Nevertheless, to a certain extent, the decision was event driven. Those focusing on Zhu's impending trip to the United States wanted to have something to show for it, especially in light of the deterioration of U.S.-China relations as new reports appeared on campaign finance violations, nuclear espionage, and China's crackdown on democracy activists. China's entry into the WTO would impart new momentum to the relationship and give it an underpinning that it has been noticeably lacking in recent years.

The decision to make broad and serious concessions in order to gain WTO entry was clearly endorsed by both PRC President Jiang Zemin and Zhu Rongji. Although most have argued that Zhu was the driving force behind the concessions, others have argued that it was Jiang who was the more enthusiastic. Jiang no doubt would have viewed the WTO more from the political angle and its importance to the U.S.-China relationship, while Zhu would have looked more at the economics of the situation. In any event, the task of drafting a package of concessions was given to the trade experts in the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) with input from the Ministry of Foreign Affairs. Apparently cognizant of the opposition to the sorts of concessions that were being contemplated, the government made a decision to limit input from those in ministries known to have serious reservations about the WTO. For instance, according to people in Beijing, neither the central bank (the People's Bank of China) nor the Ministry of Agriculture were represented in the discussions. Large enterprises, such as auto manufacturers, seem to have no direct input in the decision-making process. The telecommunications sector, one of China's most monopolistic and least competitive industries, also apparently had little input. Even the plan drafted by MOFTEC, which certainly secured the support of the Politburo Standing Committee, apparently left many details, especially regarding phase-in times, uncovered. It would be natural, given China's decision-making process, for Zhu to take an essentially MOFTEC drafted plan to Washington, get it signed, and then come back and explain it to his own government ministries.

These plans hit a major snag in Washington. As Zhu was landing in the United States, Senate Majority Leader Trent Lott stated flatly that he would oppose China's entry into the WTO. After a WTO deal was sketched out, Secretary of the Treasury Robert Rubin expressed concerns that the market access provisions regarding the financial and security markets (some of China's weakest and most sensitive sectors) were not sufficient. Chief of Staff John Podesta worried that a divisive fight over the WTO issue would overshadow the President's domestic agenda. President Clinton, perhaps distracted by the situation in Kosovo, decided not to accept the deal. No sooner had the White House turned the package down, than it realized it had passed up a major opportunity. USTR posted the package of concessions on its web site, apparently to whip up support in the business community, while Zhu went on to Denver and New York, talking up the deal. Under pressure, President Clinton called Zhu in New York and made a commitment to conclude a deal for China's accession to the WTO by the end of the year.

Back in China, however, opposition was already rising. With USTR's unilateral posting of the concessions on the internet, all of a sudden ministers who had been cut out of

putting the package together became aware of the details. Different industries immediately started to figure out the impact on their sectors, and voices of opposition began to be heard. Wu Jichuan, minister of information industries (including telecommunications) reportedly tendered his resignation. Suddenly, Zhu and his team began to try to backpedal. MOFTEC head Shi Guangsheng declared the concessions USTR had listed were “inaccurate.” The list, he said, consisted of items under discussion but was not a firm agreement. In addition, the USTR action allowed the broader public to weigh in. The Internet became active with comments on the concessions China had apparently agreed to. Finally, there was continuing opposition from those who had opposed Zhu’s trip in the first place. Such people were less interested in the economic package *per se* and more concerned about China’s apparent acquiescing to the “hegemonic” behavior of the United States in Kosovo.

Zhu’s position was thus difficult, but not untenable, when he returned to Beijing. But only two weeks later, the Chinese embassy was bombed.

### Chinese Reaction to Embassy Bombing

Beijing’s initial reaction was one of shock and confusion—as well as a desire to manipulate events to China’s advantage. The top leadership spent three days in an intensive round of meetings. The sardonic citizens of Beijing, noticing the absence of the leadership, began to call the emergency line at the Beijing police department to report three missing persons: Jiang Zemin, Zhu Rongji, and Li Peng! Humor also skewered the abilities of the leadership to respond to the event. People said that the hotline recently installed between Beijing and Washington was for “chewing out your old lady” (*maniang*), but when the bombing occurred not only did Jiang not pick up the phone and dress down Clinton, he was not even around to answer the phone when Clinton called. The reactions of the old cadres, especially those retired from the military, were less humorous. They unfavorably compared Jiang, and the leadership in general, with Mao Zedong, saying that Mao would never have put up with such an outrage.

By the time the leadership emerged from a series of internal meetings, some things were clear. First and foremost, the leadership had decided that it wanted to continue the relationship with the United States. The relationship was considered just too valuable to sacrifice to the emotion of the moment. Jiang’s May 13 speech welcoming the return of embassy staff from Yugoslavia reiterated that China “must continue to unswervingly take economic construction as the central task.”<sup>3</sup> A series of editorials in *People’s Daily* emphasized continuity of policy and concluded with the declaration that China wants to “develop amity and cooperation with developed countries in the West, including the United States.”<sup>4</sup> And on June 12, Deputy Prime Minister Qian Qichen declared, “China does not want confrontation with the United States.”<sup>5</sup> That is not to say that everybody was ready to repair relations with the United States. A pair of harsh “observer” articles published in *People’s Daily* on May 16 and May 27 suggested that anti-U.S. sentiment was

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<sup>3</sup> *Xinhua*, May 13, 1999.

<sup>4</sup> “Firmly Implement the Independent Foreign Policy of Peace,” *People’s Daily*, June 3, 1999.

<sup>5</sup> *Xinhua*, June 12, 1999.

strong even at the highest levels of the Chinese government.<sup>6</sup> Moreover, the government clearly wanted to use the incident to deflect attention from the Tiananmen anniversary and put the moral onus on the U.S. government.

China's reaction appears based not only on pragmatic calculations but also on the belief of the top leadership that the bombing of the embassy was indeed accidental, or, at a minimum, that it did not reflect the policy of President Clinton or his top advisers. That does not mean that everyone in political circles was convinced. Many believed that the bombing represented an effort to test China's resolve, while others argued that the bombing was the work of an anti-China conspiracy in the bowels of the U.S. bureaucracy. Elaborate theories have been spun to explain the alleged motives of the United States. These sorts of suspicions are widespread throughout government and society and are not likely to disappear quickly or easily. Many raise analogies to the assassination of President Kennedy and suggest that the truth may never be known.

The contrast between what the top leadership seems to have believed about the incident and what it said to the Chinese people through the mass media apparently reflects both the anger among old cadres, particularly from the military, and deep concern that public anger would turn against the government itself, especially if its attitude toward the United States seemed less than resolute. A widespread current of public opinion that has existed for some years maintains that the Chinese government has been too weak in the face of various slights to China. This sentiment was clearly visible in the popular 1996 best seller *The China that Can Say No*, which was as much a criticism of the Chinese government as it was an expression of anti-Americanism.<sup>7</sup> At the same time, there was reason to fear that such feelings would be directed against the Chinese government. After all, the bombing occurred only a couple of weeks after more than 10,000 adherents of the Buddhist Law Society (*falungong*) had shocked the top leadership by staging a silent protest outside Zhongnanhai, the compound where the highest level government officials work and reside.

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<sup>6</sup> "Humanitarianism or Hegemonism?" *People's Daily*, May 16, 1999; and "On the New Development of U.S. Hegemonism," *People's Daily*, May 27, 1999. "Observer" (*Guanchajia*) articles in *People's Daily* are extremely rare. The last one prior to recent events was during the Taiwan Straits Crisis in 1996. Some people argue that such an important article as these "observer" articles almost certainly has to get the approval of the General Office of the CCP; others argue that it needed only to gain the approval of Ding Guan'gen, the head of the Propaganda Department. In contrast, editorials must be approved by all members of the Politburo. The publication of a series of "Observer" articles suggests that a special writing group has been set up to draft these diatribes.

<sup>7</sup> Song Qiang et. al., *Zhongguo keyi shuobu. The China that Can Say No* was published at a time when there was a growing perception among government officials and the broader public that the United States was trying to "contain" China. This perception was related, among other things, to 1993 opposition by the United States to China's bid to host the Olympics in 2000, the *Yin He* incident of the same year (in which the U.S. demanded to inspect a Chinese ship suspected of carrying precursor chemicals for chemical weapons to Iran), and, most directly, the 1995 decision to allow Taiwan president Lee Teng-hui to visit the United States. Although written by a group of young independent intellectuals, the book secured the backing of conservative officials in the government.

Because the U.S.-China relationship is considered essential to China's economic development, there will be efforts to prevent a serious rupture. Indeed, some Chinese policy advisors are already working to engage the United States and to keep the relationship on track and perhaps even moving forward. That does not mean, however, that there will be no adjustments to Chinese foreign policy, some of which may well breed tension in the coming months. The single biggest problem in the relationship is the mutual lack of trust. That distrust existed before the Kosovo involvement and embassy bombing, but those events have clearly deepened that doubt. Even as Jiang has moved to ensure a continued relationship, he has spoken in internal meetings of a U.S. imperialism that will not die (*wangwozhixin busi*—an evocative expression used by Mao Zedong) and called for “biding time while nurturing grievances” (*woxin changtan*). Whether such ominous sounding phrases are simply to meet the needs of the domestic situation or will become part of China's long-term policy considerations remains to be seen.

For the present, however, the immediate reaction among the policy-making elite is to give much less concern to American feelings when formulating policy. Although U.S. diplomats may disagree to a certain extent, Chinese analysts argue that China has been willing to shape its policies in a number of areas to accommodate U.S. interests. The sort of arguments that underlay such policies will no longer fly in the current atmosphere. The feeling is that the deterioration in the relationship following the exchange of summits between Jiang and Clinton already revealed the limits to the relationship. If making such efforts was not rewarded with a better relationship, then why try?

In addition, there will no doubt be a number of adjustments to Chinese foreign policy. The most obvious is that military expenditures, particularly in the high-tech area, are certain to be increased over a period of years (indeed, there was movement in this direction even before the bombing). The military has long been frustrated by being last in line in China's “four modernizations.” It was willing to put up with that situation as long as Deng Xiaoping was alive, and Jiang had been remarkably successful in dealing with the military since Deng's death, forcing it to accept the lack of representation on the Politburo Standing Committee following the Fifteenth Party Congress in 1997. Last year, Jiang and Zhu moved, albeit with difficulty, to sever the relationship between the military and its extensive business empire. These policies were acceptable as long as China's security environment remained peaceful. In the wake of the embassy bombing, however, the military is likely to be much more demanding. After all, as one person in Beijing recently stated, NATO's use of force in Kosovo demonstrated that in the final analysis “military force is the sole criterion of truth.”<sup>8</sup> The role of the military in China's foreign policy appears to be one part of a recently opened, internal debate on whether Deng Xiaoping's thesis that the present is a period of “peace and stability” is still valid. If it is not, then obviously China must make appropriate readjustments, including upgrading the military's technological capabilities. Where the funds to modernize the military significantly are supposed to come from is not clear; China is already floating large bond issues in an effort

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<sup>8</sup> The reference is to the famous 1978 article that inaugurated the reform movement, “Practice is the Sole Criterion of Truth.”

to pump up domestic demand and keep sclerotic SOEs afloat. Larger military expenditures in China will certainly feed into the “China threat” lobby back in Washington.

There is also much talk these days of shoring up relations with Russia, India, and North Korea. The recent announcement of the purchase of 72 SU-30s from Russia symbolizes an effort to define common interests and build better ties. The visit of the Indian foreign minister, barely a year after India carried out nuclear tests and announced that China was enemy number one is a startling turn around. North Korea’s Kim Yong-nam has just visited Beijing, and top leader Kim Chong-il is expected to visit Beijing sometime in the next year. These adjustments seem designed to feed the demand to “do something,” but none of them can go very far. Russia has cast its lot with the West, and mutual suspicions between China and Russia remain. China’s burgeoning relationship with India is limited by China’s relationship with Pakistan. And no one expects China and North Korea to become close friends after years of considerable tension in their relationship. Nevertheless, to the extent that these moves reflect a sop to hardliners and a frustration with the current state of U.S.-China relations, they suggest the pressures and constraints that the leadership will face as it seeks to maintain relations with the United States.

### **The Pickering Visit**

On June 16, Undersecretary of State Thomas Pickering attempted to explain to Chinese Foreign Minister Tang Jiaxuan how an accident of the magnitude of the embassy bombing could have occurred. The meetings themselves went reasonably well. There seems to have been an effort on both sides to try to repair the damage done. There are clearly those in the Chinese leadership who would like to find a way out of the current impasse. Nevertheless, the Chinese rejected Pickering’s explanation as “illogical” and “unacceptable.”<sup>9</sup> In part, this harsh stance reflects the government’s inability to turn around so quickly after having fanned the flames of anger for the preceding month and labeling the bombing deliberate. This was, of course, a dilemma of the government’s own making, and as such reflects a real weakness in China’s crisis management capabilities. If there was a degree of posturing in the Chinese position, there was also dissatisfaction with the level of detail of the U.S. explanation of the bombing. Pickering’s report apparently stopped short of naming names and giving the exact details of the errors committed. Chinese officials seem particularly frustrated by two points: the old map explanation and the fact that the unorthodox field method, which was used to select the target that turned out to be the Chinese embassy, was apparently not used to select any other target. Chinese contrast the relative vagueness of Pickering’s report with the excruciating detail in the Starr investigation of President Clinton’s relationship with Monica Lewinsky. If such an unimportant thing as a sexual affair could be revealed in such detail, it is asked, why couldn’t there be an equal level of detail in dealing with such a serious matter as the embassy bombing?

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<sup>9</sup> *Xinhua*, June 17, 1999.

More important, the Chinese response to the Pickering visit reflects the still very unsettled state of politics at the top reaches of the Chinese government. The bombing provided opponents of rapid marketization and integration into the world economy with a golden opportunity, and the evidence suggests that they are playing their hand to the hilt. One indication of the difficult political situation in Beijing is that Jiang left town during Pickering's visit so he would not have to meet with the U.S. Undersecretary of State. A second such indication is that Jiang has made a number of recent forays to the provinces to discuss economic reform, and Zhu has not accompanied him. Economic reform is Zhu's bailiwick, and his failure to spearhead these discussions seems to reflect the delicacy of his position. A third, perhaps stronger, indication is the "observer" article that *People's Daily* published on June 22. This was a long, harsh, and authoritative criticism of the United States that pushed rhetoric well beyond the bounds of diplomatic discourse by comparing the United States to Nazi Germany.<sup>10</sup> One can imagine how this plays in Chinese politics. Zhu goes off to the United States, makes a series of sweeping concessions, apparently comes home with a major diplomatic success, and the United States bombs the Chinese embassy. The "observer" article, though not in so many words, basically accuses Zhu of embracing Hitler! It is no wonder so many observers in Beijing think that Zhu's position at present is very difficult.

### **The Way Forward and Implications for WTO**

Once the Administration realized its mistake in rejecting the April agreement, it tried to resume negotiations with an aim of submitting a WTO agreement to Congress along with consideration of Normal Trade Relations (NTR, formerly known as MFN, Most Favored Nation). The odds of getting the WTO through seemed considerably better if the Administration could go to the Hill once, rather than separate WTO and NTR and have to fight essentially the same battle twice. That calculation was destroyed along with the Chinese embassy. NTR is likely to be voted on by Congress in July; the WTO will have to be considered separately if and when the political relationship can be restored sufficiently.

Secretary of State Albright will meet with Chinese Foreign Minister Tang Jiaxuan at the ASEAN Regional Forum (ARF) in late July. This is the logical forum to build on the Pickering visit to heal the relationship. Yet it is not clear what the secretary can offer the Chinese that will address their frustrations and uncertainty about the future direction of U.S. policy. Chinese officials raised five points in response to Pickering's report, hoping for further clarification. Further clarification, they say—preferably accompanied by assurances that one or more people had been disciplined in regard with the incident—would help the leadership explain to hard-liners and the broader public that the United States had been responsive to Chinese demands. U.S. diplomats hold out little hope that such expectations will be fulfilled.

Nevertheless, if the Secretary's July meeting goes reasonably well, then the APEC meeting in September, where President Clinton is expected to meet with Jiang would

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<sup>10</sup> "Today's Hegemonism Should Look into This Historical Mirror," *People's Daily*, June 22, 1999.

provide an opportunity to normalize relations. This scenario suggests a rough timetable for healing a damaged relationship. Yet there are many problems along the way, and, even if this timetable is followed, it is not clear that enough momentum will be imparted to the relationship to enable a WTO deal to be completed before the next round of WTO negotiations start in Seattle in December. Some warn that if there cannot be substantial progress in the relationship before September, it is possible that Jiang, for domestic reasons, will decline to meet with President Clinton. Others warn that if the two countries wait until September to get the relationship back to the point where the two sides can discuss the WTO, it will simply be too late to meet the Congressional schedule.

Even if the two sides can get together to discuss the WTO in time to make the deadline, it is not clear that an acceptable deal can be hammered out. When Zhu came to Washington in April, the Chinese were ready to deal. At the same time, after trying for years for the perfect deal, USTR was ready to negotiate. The stars were propitious. Since the events of the spring there have been rumors in Beijing, finally laid to rest by Foreign Ministry spokesperson Zhang Qiyue, that China would try to walk back some of the concessions.<sup>11</sup> Nevertheless, if the April agreement is still on the table—even if the political atmosphere improves—the likelihood for any more concessions from the Chinese side seems remote. Some Chinese analysts argue that since neither Beijing nor Washington shows signs of flexibility, China would be better off waiting until after the election and dealing with the new American president (which Chinese expect will be George W. Bush).

This apparent lack of enthusiasm may well reflect good negotiating, but it also seems to reflect the domestic political situation in China. Zhu has been abused mercilessly by public opinion. Articles on the internet as well as student demonstrators have labeled him a “traitor” (*maiguozei*). At the same time, some old cadres have been known to mutter that the government’s readiness to accept globalization is like Wang Jingwei’s willingness to serve as head of Japan’s puppet government in occupied China during World War II. Others have called Zhu’s compromises in Washington the “new 21 demands selling out the country”—a reference to Japan’s infamous demands of 1915 that sought to reduce China to a near colony.

Reflecting the vulnerability of officials connected to the WTO deal, MOFTEC Minister Shi Guangsheng called a staff meeting to angrily denounce the embassy bombing, and Zhu similarly adopted strong language in his meeting with visiting German Chancellor Gerhard Schroeder. Since then, Zhu’s position has become palpably weaker. Rumors of his possible resignation continue to circulate, though the likelihood of that does not seem to be great. Forces opposing China’s entrance into the WTO on the grounds that the costs are too high and the shock to China’s economic system are likely to be too great have obviously become stronger and more vociferous. National People’s Congress head Li Peng, who has never favored China’s entry into the WTO, seems to be enjoying a resurgence (and no doubt enjoying the turnaround, since Zhu never gave the former premier’s views on economics much respect).

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<sup>11</sup> *China Daily*, July 2, 1999.

This political situation is reflected in a new coolness toward the WTO. Jiang told an internal meeting that China has waited 13 years to join the WTO (GATT) and it can wait another 13 years. Accordingly, Li Zhaoxing, China's ambassador to the United States, declared that "China upholds principles and will not strive to enter the World Trade Organization at any cost."<sup>12</sup> Even State Councilor Wu Yi, who helped hammer out the WTO deal, appears to have backed off somewhat. She told reporters that the government would solicit opinions from various big enterprises, such as China Telecom, and that "[i]f people thought that ... the United States demanded too much from us, we could give up the idea."<sup>13</sup>

Moreover, Jiang is currently more concerned with domestic stability than with the WTO. There are problems with popular unrest and social disorder in many places. He wants to get through the grand celebration of the 50th anniversary of the establishment of the PRC on October 1 with the country peaceful and prosperous (or at least relatively so).

### Conclusion

There is no question but that the Clinton Administration missed a golden opportunity to seal a WTO deal that would have brought considerable economic benefits to both countries and, even more important, would have secured a major policy goal of U.S. and Chinese policymakers alike, namely, moving China a long way toward full integration into the world economy and community. The Kosovo War and embassy bombing have been substantial setbacks to these goals. As one person in Beijing put it, U.S. actions "have dealt a severe blow to liberals in China."

It is apparent that Jiang's domestic political situation is difficult; he has yet to exert the sort of leadership that would begin to turn the situation around. He would obviously like some help from President Clinton, and it is probable that personal attention from the U.S. president is necessary to move things forward. A personal letter from Clinton to Jiang expressing a willingness to further review evidence relating to the bombing, to give assurances that U.S. policy is not aimed at containing China, to urge an early resumption of WTO talks, and to press for separating economic issues from political topics (which is, after all, a long-standing Chinese position) would go a long way toward easing the present situation. Expectations that relations can return to business as usual— as comments from U.S. trade officials stating that "the ball's in China's court"<sup>14</sup> suggest —seriously underestimate the difficulty of the political situation in Beijing. Presidential attention and leadership is needed quickly—the Chinese leadership will retreat to the seaside resort of Beidaihe in the latter part of July to decide whether or not to resume WTO talks.

Chinese leaders must realize that if the WTO was a good deal before the bombing, it remains a good deal after the bombing. There are clearly still people in China who would

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<sup>12</sup> *Zhongguo Xinwenshe*, June 17, 1999.

<sup>13</sup> *Dagongbao*, May 27, 1999.

<sup>14</sup> U.S. Deputy Trade Representative Richard Fischer, as quoted in *China Daily*, July 1, 1999.

like to see the WTO go through, but it will need leadership from the highest level on the Chinese side as well.

As the deterioration of U.S.-China relations even after the exchange of summits showed, there is a need for an anchor for the relationship. As the United States enters a new election cycle and prepares to inaugurate a new administration, it seems likely that U.S.-China relations will drift for some time to come. Such drifting can be dangerous as mistrust builds on both sides. The WTO could provide the foundation that could stabilize the political relationship even as it integrates the Chinese economy into the world. If both sides recognize the stakes involved, it may still be possible to complete an agreement on the WTO.