

7-15-1998

## U.S.-China Business Council (4)

Max S. Baucus

Let us know how access to this document benefits you.

Follow this and additional works at: [https://scholarworks.umt.edu/baucus\\_speeches](https://scholarworks.umt.edu/baucus_speeches)

---

### Recommended Citation

Baucus, Max S., "U.S.-China Business Council (4)" (July 15, 1998). *Max S. Baucus Speeches*. 651.  
[https://scholarworks.umt.edu/baucus\\_speeches/651](https://scholarworks.umt.edu/baucus_speeches/651)

This Speech is brought to you for free and open access by the Archives and Special Collections at ScholarWorks at University of Montana. It has been accepted for inclusion in Max S. Baucus Speeches by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact [scholarworks@mso.umt.edu](mailto:scholarworks@mso.umt.edu).

Printing, Graphics & Direct Mail  
Document Archiving  
Indexing Form

Senator \* or Department\*: **BAUCUS**

Instructions:

Prepare one form for insertion at the beginning of each record series.

Prepare and insert additional forms at points that you want to index.

For example: at the beginning of a new folder, briefing book, topic, project, or date sequence.

Record Type\*: **Speeches & Remarks**

MONTH/YEAR of Records\*: **July-1998**

(Example: JANUARY-2003)

(1) Subject\*: **U.S-China Business Council**

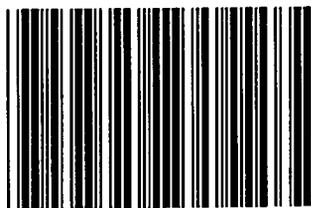
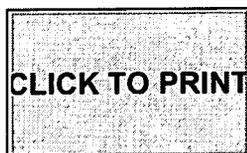
(select subject from controlled vocabulary, if your office has one)

(2) Subject\* **Trip to China and U.S-China relations**

DOCUMENT DATE\*: **07/15/1998**

(Example: 01/12/1966)

\* "required information"



BAUCUS

\* Turnout?  
Caef

**Remarks of Senator Max Baucus  
United States-China Business Council  
Wednesday, July 15, 1998**

See Jim Baker  
Post article!

Response →

Good afternoon everyone and welcome. I am pleased to have the opportunity to share with you some of my reflections about my trip to China with President Clinton. And <sup>I also want to</sup> talk about <sup>why</sup> what I think is important to continue on a road toward strengthening our strategic relationship with China.

Before I begin, I would just like to take a moment to thank my long time friend, Bob Kapp, who has done a masterful job as president of U.S.-China Business Council. Keep up the great work, Bob.

→  
write

Your work makes a real difference to the debate & progress on \_\_\_\_\_.

As we continue this dialogue on Sino-American relations, I think we have to ask ourselves two questions:

One, what do we want our relationship with China to be?

And, two, what do we expect China to do to meet our expectations as a strategic partner?

*Don't completely ignore them!! → you ask these 2 Q's*

And now the question we've all been waiting for — Was the trip to China worth it? Despite relatively little progress in the trade arena, I would reply with a resounding yes. Let me tell you why.

Before the trip, amidst a barrage of anti-China legislation and critical press, I stated my belief that engagement with China was a means to an end. That is to say — China needed us and we needed China.

Now upon personal observation and reflection, I would say the former is most true.

↑ make it, this is  
said and this is  
his 1st trip to  
China.

China needs the United States to help bring it into the 21<sup>st</sup> Century. Leave no doubt about it: China must enter the new millennium as an equal player when it comes to trade, human rights, the environment and strategic issues.

? to us? why?

## OUR ACCOMPLISHMENTS

This trip proved that if we engage China, as the president and delegation did, we can speak directly to the Chinese people about the importance of creating strategic partnerships and about American values.

By going to China, the president delivered our message -- promoting democracy, freedom, free markets, human rights -- to hundreds of millions of Chinese people. That was historic, especially when it played, on national television. <sup>their TV</sup> And that effort has demonstrated, publicly, our expectations for reforms in China.

I also thought it important that President Clinton and the delegation visited Hong Kong. This stop underscored America's commitment to Hong Kong as it struggles through tough economic times. And it highlighted the commitment of Hong Kong's people to self government and democracy. The president's visit showed where things can lead if China chooses to liberalize its system.

### THE THREE RISKS

But trade continues to be a problem. To date, our goal has been to open trade through a successful WTO accession, which would further open the China market to our goods and services.

## Risk I: China Trade as an Economic Issue

First is the economic risk the status quo poses to us.

Our imports, from China and Hong Kong combined, have grown from \$50 to \$72 billion. Our exports, only from \$30 to \$34 billion. So our trade deficit has grown to an enormous gap — and that chasm threatens to grow wider.

The Agriculture Ministry, whose policies on wheat and citrus violate our 1992 Market Access Agreement, fears a backlash from farmers.

Industrial ministries own companies, joint ventures and "pillar industries" fear the competition from foreign firms. "Red capitalists" might lose concessions from their relatives in the government. So the Chinese government is reluctant to further open markets.

The Chinese also said they would stop import substitution -- or replacing imports with domestic production. But they haven't. These policies are unfair to Americans. It is only fair and right that China is as open to us as we are to them.

Without significant movement on these issues in the future, then, while the benefit of stable relationship may remain, the good feelings between our two countries will dissipate and not lead to substantive progress.

That said, we must capitalize on the momentum created by the trip to improve our trade relationship. Congress' patience is wearing thin. Trade reform clearly is in China's best interest. They got a lot out of this trip. Now they need to reciprocate.

## II. China Trade as a Political Issue

Second is a broader political risk to US-China relations.

As long as our own economy remains strong, trade problems will be one in a long list of items on our China agenda. But when our economy turns down, if we are still looking at flat exports and \$50 billion or \$60 billion trade deficits, we should expect a great deal of anger and fear from the public.

Certainly those of us in the U.S. Senate who have been long time advocates of Normal Trade Relations with China are getting fed up. The lack of progress in market access, distribution and our alarming trade deficit have done nothing to deter our critics.

Moreover, with congressional division over trade and our China policy, future engagement with China -- including WTO accession -- may become a divisive issue in the 2000 presidential campaign. The consequences of that are hard to predict. But ever since the 1950s and the "who lost China" debate, when China policy has become a political issue, the consequences have usually been bad.

### 3: China's Economic Health

And third, the status quo may be a threat to China's economic health.

At present, in most ways, China's economic management is fairly stable thanks to the efforts of Premier Zhu Rongji. The economy is growing. Buildings are going up all over the country. Companies are opening and people are finding opportunity.

At the same time, Chinese citizens are worried about making ends meet.

With massive unemployment and dramatic government downsizing, it is no wonder that people are more worried about survival than international dialogue.

However, I do not believe that China is strong enough to survive alone. For our own interests, we should be concerned that a ripple of instability in Asia's largest country could result in a resounding wave of disaster.

To paraphrase Chairman Mao, the East is in the red. And the status quo is not only bad for China, it is dangerous for the world.

## NEXT STEPS

For the sake of our own economic interest, of the good relationship both countries need, and the healthy China we need to see in the coming decades -- our policies in the middle kingdom need to be a little tougher and more focused.

We need a policy of tough love. Most of the reforms we hope to see in the near future, include lower tariffs and quotas, with a particular emphasis on the rule of law; fewer subsidies; a more open and market-driven economy. But what is our leverage, our hook?

This Congress, with so little time left and an election fast approaching, likely won't pass comprehensive legislation that will deal with the issues we face with China: Trade and business; human rights; environmental problems; and security concerns.

I don't know that there is a comprehensive silver bullet. But I don't know that we can continue to deal with China on an ad hoc basis.

But on trade, here's what I think we can do to get China's attention, to make it get serious about entering the WTO and finally gaining Normal Trade Relations with the United States on a permanent basis.

One, China must have a material incentive to enter the WTO. I still believe that the Administration should endorse, and Congress pass, a law to make permanent Normal Trading Relations status automatic when China enters the WTO.

*if  
this  
be  
made  
it  
must be  
in  
beginning  
of 2001*

But is China ready to enter the World Trade Organization this year, next year or in the next decade? They're not acting like it.

I used to think that China must be pressed, kicking and screaming, into the global marketplace. Indeed, the U.S. has played a hard hand in such an endeavor.

And, yet, we are still stagnating after the President's visit. China's ministries can think over WTO accession at leisure, with no penalties for delay.

I told China's top leaders, including Premier Zhu Rongji and the Chinese ag minister, that Congress and the American people are getting impatient with China's growing trade imbalance with the U.S. and their closed markets.

Those of us who support engagement with China are finding ourselves increasingly frustrated with a country whose Great Wall is more than just a world wonder. It is a brick wall we keep running into.

I told them — and other members of the congressional delegation also told them — in no uncertain terms that they need to lower their barriers, or there will be repercussions.

Some have argued we should lower the bar for China to enter the WTO. To allow them to enter the organization on lesser terms. I think that is a bad idea. If we do that now, when they are backsliding, we would be offering them incentive to wait longer, until they are offered accession on terms that don't require real reform.

Two, U.S. industry must take a more active stand in encouraging trade reform in China. Those of you here today have set a fine example of finding a niche in a neophyte marketplace. You have encountered risks and you still face challenges.

However, I would challenge you today to think out of the box. That is to say, how can your enterprise contribute to China's internal development?

Can you clean up the environment by investing in clean technologies? Promote human rights by setting higher standards in labor practices than the norm? Enlighten by education?

I would ask you to think about more than trade and how you can be a part of the larger picture. You must engage more yourselves, and with members of Congress. And what do you get in return? A healthy China that is ready for accession to the World Trade Organization on a mutually acceptable basis.

Three, China must have a moral incentive to enter the WTO. So with our bilateral talks on Taiwan's membership complete, the Administration should push for Taiwan's rapid entry into the WTO, regardless of where talks with China stand.

We know from history and our recent trip to China that officials there are very sensitive about Taiwan, and our relationship with that country. We know that China has opposed Taiwan becoming a member of the WTO before it does.

But, as you know, Taiwan has willingly worked toward WTO accession, and is willing to make concessions to become a WTO member. They want to play ball. We can get China's attention if we press for Taiwan's immediate WTO accession. China's delay should have a cost.

Fourth, China must see a price for unnecessary delay in entering WTO. So if we are still stagnating months from now, we should open a broad market access case under Section 301 of our trade law. It should begin with the areas where China is violating our 1992 agreement, and set a deadline with sanctions to follow if they do not shape up.

We reached a good agreement with China in 1992 — on intellectual property and market access. But as I have mentioned, China has said it would open its markets and stop import substitution. But it hasn't, and has in some sectors regressed.

We need to let China know that we are serious about invoking Section 301 if they don't move forward on market access.

Let me mention a point about sanctions. Senator Hagel and I are co-chairing an ad hoc group of senators who think that America needs a bipartisan foreign policy. One that is constructive rather than destructive. One that has America's best interests at heart, rather than politics at its root.

We have met on such issues as the effectiveness of sanctions, and how to deal with India and Pakistan after they detonated nuclear devices.

*Fast Track, MFN ...*  
*Add...*  
*23* →

Our bottom line is: Let's do what's best for America. When we invoke sanctions unilaterally, we — meaning our ag producers and businesses and workers — ultimately end up paying the price. I don't want that to happen again. We need to protect our interests.

That's why we are studying these issues.

*Tell them he's serving on the Sanctions Trust Fund  
+ will work to develop a solution ... eg. multilateral,  
etc. (see pet's name)*

And fifth, both we and China must realize that the status quo has great risk.

We have seen the Asian Tigers caged, their once rapidly growing economies slowed by a financial crisis that knows no borders.

I believe that this year's doomsaying about Asia is at least as overstated as last year's boosterism. But in hindsight, we see that with the good things come corruption. Unhealthy ties between government and business. Bad loans. Bad debts. Property bubbles. Ultimately, a financial explosion.

We can be forgiven for missing this crisis once. Everyone makes mistakes. But we should not be forgiven if we don't learn from them. And that is nowhere more true than China.

Finally, while this trip offered us a chance to stabilize the relationship between two of the world's powers and left Americans with a good feeling because President Clinton spoke bluntly and respectfully on human rights, there still is a lot of substantive work to do.

That brings me to this point. China must go beyond a fundamental basic interest of avoiding conflict and become a responsible international player that can address issues that further promote peace and prosperity and a healthy environment.

## CONCLUSION

Finally, we -- in Congress and the American public -- need to reach an agreement on how we treat our China policy. That essentially means when we reach a basic consensus on such a policy that we do not then play political games with it.

It means we send a clear, consistent message to China on our policy. That doesn't mean we should stifle debate on our China policy. Just that we do it in a productive fashion. That we do what's right to secure American interests. Few foreign relationships affect the American people as much as this one. It's important that we get it right — and keep it free of politics.

As we engage China, I think we have to keep American values and interests in mind. And when it comes to trade, I think we need to show the Chinese that we want to be strategic partners on security issues. We expect that they will improve their environment and human rights records. And, we're serious about gaining access to their markets.

Serious about China working toward accession to the WTO. Serious about taking action to show that this issue -- China's protectionism -- is key to our long-term relationship and important to America's interests.

Through this historic trip, we advanced America's interests. We didn't get all we wanted. For a country that has more millennia under its belt than we have centuries under our, progress is bound to be slow.

But we have significantly improved our relationship with the world's most populous nation, and engaged them in a constructive dialogue that I hope will bode well for America, China and the world.

Thank you.

Now I will take questions.