On the Occasion of the Visit of Chinese Ambassador Li Zhaoxing, Agricultural Leaders Roundtable

Max S. Baucus

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Senator * or Department*: BAUCUS

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Record Type*: Speeches & Remarks

MONTH/YEAR of Records*: April-1999
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(1) Subject*: Foreign Policy
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(2) Subject* Visit of Chinese Ambassador Li Zhaoxing of China to Montana

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Remarks of Senator Max Baucus
On the Occasion of the Visit of Chinese Ambassador Li Zhaoxing
Great Falls, Montana - Agriculture Leaders Roundtable
Saturday, April 24, 1999
1:45 p.m.

Good afternoon and welcome to you all. It is my great pleasure to have our distinguished guest, Ambassador Li Zhaoxing and his wife in Great Falls, Montana today to show China's commitment and our support for the historic Agriculture Market Access agreement recently signed by Premier Zhu Rongji during his visit to Washington, D.C.

Ambassador Li – Everyone in this room appreciates China finally coming to the table and dropping its long-standing ban on Pacific Northwest wheat. You and I have had this conversation numerous times about resolving the TCK dispute – and at long last it has been resolved. On behalf of myself and the many Montana agriculture leaders in this room – Thank you. (Start applause).

Now its time for us to work together to finalize the next big step for agriculture – completing China’s accession package so that wheat, beef, pork and citrus we all see the benefits of open trade. Mr. Ambassador, the top representatives from Montana’s multiple ag sectors are here today to share their appreciation for China’s efforts and lend their support for completing a deal.

The signing of the Sanitary-Phytosanitary deal is good news for all of us – especially wheat.

CHINA AND OTHER WTO ACCESIONS

Today the world trading system is a bit like the World Series -- that is, its title promises a bit more than it delivers. The WTO now has 134 members. But outside the system, unaccountable to its rules on market access and standards, remain about 1.5 billion people -- about a quarter of world population. The largest group of these is the reforming communist countries: Russia, Ukraine, other former Soviet republics, Indochina, and the world’s largest nation, China.

Our goal, ultimately, is to bring all these countries into the system, on the commercially meaningful grounds its present members accept. This is a task of great importance. For these countries, accession to the WTO, with commercially meaningful commitments, will support domestic reform and support long-term growth. This will also complement our political and security policies by giving these nations a greater stake in peace and stability beyond their borders. In a sense, this is the contemporary equivalent of reintegrating Japan and Germany after World War II.

It is also, however, an immensely complex task. The issues we must address in the
agricultural talks with China are a perfect example. China’s trade barriers include state enterprise control over purchases of bulk commodities. And they extend to unscientific sanitary and phytosanitary standards, high tariffs and restrictive quotas at the border. But as complicated a task as this may be, it is not insoluble. And the progress we have made in the past months with China shows that.

The commitments we have achieved in our WTO negotiations address every one of these layers of trade barriers. In practical terms, they offer immense opportunities to producers. The pork industry estimates completing the accession could mean $100 million a year in sales. Poultry perhaps as much as $500 million. Citrus, $700 million; wheat, $460 million; rice, up to 100,000 metric tons of new exports, and on down the list. Let me review some specifics.

SPS Agreement

First, we reached an agreement on sanitary and phytosanitary standards which is already in effect. With this agreement, China has lifted its longstanding bans on U.S. citrus; beef, pork and poultry; and grain from the Pacific Northwest. Industry estimates that these restrictions have cost U.S. farmers billions of dollars in lost export opportunities over the past two decades.

This agreement also has potential benefits beyond these commodities. It includes provisions for technical cooperation and scientific exchange on a wide range of mutually beneficial topics, which can help us reach consensus with China on some very important issues in the next Round. For example, with over 1.2 billion people to feed, less than 7 percent of the world’s arable land, and rapid construction in rural areas, China will benefit immensely from biotechnology and other techniques that raise yields. Thus, in a new Round China may well be one of our allies on these issues.

WTO Commitments

Second, we have made significant progress in the WTO accession. While negotiations remain ahead on several service sectors and other issues, China has already made commitments in agriculture extending to all commodities of interest to the U.S., and all issues from tariffs to quotas, bulk commodities and state trading. To give you a few specific examples:

Tariffs – China’s agricultural tariffs will decline from present levels to an average of 17%, and 14.5% for our priority items. This compares to an average of 50% agricultural tariffs for WTO members generally. And all cuts will occur within a maximum four-year time-frame; by contrast, WTO developing countries received ten years. So by 2004 China will cut its tariffs on beef from 45% to 12%; from 40% to 12% in citrus; 30% to 10% in apples; 50% to 12% in cheese; and 65% to 20% in wine. All tariffs will be bound at applied levels – that is, unlike many of our developing country trading partners, China will not be able to raise tariffs beyond these levels once it enters the WTO.
TRQs – With respect to bulk agricultural commodities -- wheat, corn, rice, cotton and so on -- China will adopt tariff-rate quotas on very liberal terms, with tariffs often in the 1-3% range. For example, China now imports about 2 million tons of wheat; after WTO entry, its wheat TRQ will open at 7.3 million tons, and rise to 9.3 million tons by 2004. In all these TRQs, private traders will be guaranteed a share of the TRQ and a right to use unused portions of the share given to state trading companies. This will help establish legitimate private-sector trade in China, and allow American producers to compete at market prices.

Finally, China will agree not to provide agricultural export subsidies. This is an important achievement in its own right, and a major step toward our goal of eliminating export subsidies in the next WTO Round.

Again, we have work ahead to reach a successful conclusion. But we have made very significant progress. US Trade Representative, Charlene Barshefsky, will re-engage with China this week to address the issues which remain incomplete, and I believe an agreement will shortly be reached.

NEW WTO ROUND

Let me conclude with some thoughts about the years ahead. Today we are addressing China’s accession to the World Trade Organization. And this is a critical step in preparing for the next round – which will focus on Agriculture – to be hosted in November in Seattle.

Let me tell you why I think that is significant.

In trade policy -- through our regional and bilateral initiatives; through NAFTA; through the Uruguay Round’s agreements on Agriculture and Sanitary and Phytosanitary Standards -- we have created a fundamentally more open, fair and law-abiding trading world. And the new Round -- together with the opening of China, and the work we see ahead in Canada, Mexico, Europe and elsewhere -- promises equally profound advances in the next decade.

Here we will take up the work we began in the Uruguay Round: addressing market access, subsidies, scientific issues, state trading and more. The agenda we develop in these areas over the next few months will shape the trade agenda of the next decade; and success in achieving the agenda is enormously important for our national interests in agriculture.

Now is the time, to identify our specific goals in each of these areas. And I am pleased that the Administration has announced that the USTR and the USDA will hold a series of joint outreach sessions this spring jointly, during which they will get out of Washington and come to several states, including Montana, to hear directly from farmers, ranchers, agribusiness and others on the agenda that will help them most.
You are the real experts on trade – you are the most affected when trade works and suffer most directly when it doesn’t. Your voice is extraordinarily import and I urge you to play an active role in making our trade agreements work for American agriculture. So that our agreements offer new opportunities which will help farmers, ranchers and the leaders in our rural communities get the full benefit of their hard work and high quality production.

Thank you.

Our relationship with China does not end at Montana’s borders. It is important for all of us to make sure that our engagement with China is in the best interests of our country. For that reason, I would like to thank the Ambassador for coming here today to share with us China’s commitment to joining the global trading system. Open trade markets and open access to markets ensures that jobs and a stronger economy will be our reality and not just our hope. We in Montana know how important such economic development opportunities are especially with the tough times our agriculture producers have faced this past year.

Just two weeks ago, Chinese Premier Zhu Rongji came to Washington to work out the very critical details of an accession package for China’s entry into the World Trade Organization. During that visit, negotiators make historic progress toward opening up the world’s largest market, establishing a trading system based on rule of law, and addressing our most sensitive intellectual property, labor and transparency concerns. I must say, that I was most pleased by the progress made; however, I was also disappointed that we were not quite able to seal the deal. However, I am confident that our US Trade Representative Charlene Barshefsky and her Chinese counterparts will soon finalize the details of a commercially powerful trade agreement.

This monumental undertaking is one reason why I asked the Ambassador to come to Montana – to share with you the benefits of the agreement. And to see first hand, the incredible products and the incredible friends, Montana has to offer.

From the people in this room, I am confident that he will return knowing that Montana wants to engage with China.

Now, I understand that my distinguished colleague, Ambassador Li Zhaoxing

And we in Montana are fortunate to have such an experienced Ambassador to carry our goodwill back to China.

Mr. Ambassador and Madame Li, welcome to Montana!