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American Chamber of Commerce in Beijing

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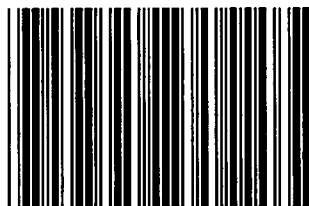
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BAUCUS

Speech to the American Chamber in Beijing

It is a pleasure to be here today. Although I visit China every year, change is so quick that I need to re-adjust my thinking with each visit. The Chinese economy and society has become one of the world's most dynamic. And, for all of you, it is certainly one of the world's most challenging places to do business.

With apologies to the non-Americans here today, I want to quote Alfred E. Newman. He has said "Most people are too lazy to open the door when opportunity knocks." Well, those of you working in China have heard opportunity knocking and have raced here to help open the door. I thank you for that. And I pledge, as the senior Democrat on the Senate Finance Committee, which is the committee in the Senate responsible for American trade policy, to do everything I can to help you open that door more. And to help China keep that door open. It is critically important for both our economies and for both our countries.

This is my second stop on a much too short Asia visit. I have come from Taipei, and I go next to Seoul. I have two purposes for this trip. One, I have brought a group of Montana business people to introduce them to China and the other vibrant markets of Asia and to help develop further the relationship between China and my state of Montana.

responsible
job Second, to do my job as the senior Democrat on the Finance Committee. I need to see China and Asia on the ground, talk with the leaders, and meet with people on the front lines of business like yourselves.

I have been deeply involved in trade expansion and market opening for over two decades. It has been one of my top priorities in the Senate. But we in the Senate do not create jobs. We do not sell products and services. We do not return profits. We can help with the rules, but then

it all depends on you and your efforts. And I thank you for the work you are all doing on the ground here in the Chinese market.

For the last ten years, I have led the effort in Congress to extend annual MFN to China. At times, it was a lonely task. This year, of course, we reached the culmination of that effort when Congress overwhelmingly passed PNTR for China. Many of you in this room helped with that, and we can all be pleased with this accomplishment. Last week, there were four days of accession negotiations in Geneva. According to the reports I received, progress was made on a number of outstanding issues. We now have the opportunity to complete these negotiations in the next session January 10-17 in Geneva. The challenge for China is to be flexible and reach agreement on the remaining issues in January - in a way that is also consistent with the US/China bilateral agreement. I urge China to ensure completion in January.

As many of you know, the legislation approved by the Congress does not actually give PNTR status to China. Rather, the legislation authorizes the President to grant PNTR status once the multilateral negotiations are completed and he certifies to the Congress that the terms of the WTO agreements are at least as good as the provisions of the US/China bilateral agreement. If PNTR is not granted by May, we will have to do another annual extension of NTR at that time. A debate over another annual extension would not serve anyone's interest. But, under the circumstances I described, our law requires it. To say the least, I am not eager for this to happen.

To be frank, I am worried that if the negotiations are not completed in January, the new American Administration will need time to get itself educated about the terms of the bilateral agreement and the status of the multilateral negotiation. So, to repeat, I urge the Chinese leadership to conclude the negotiations next month in Geneva.

Let me add, parenthetically, that I, and my colleagues in the US Congress, are committed that Taiwan join the WTO at the same General Counsel meeting that China joins.

~~Before I get further into trade and other issues, I assume you are all interested in the US political situation. So, let me make a few comments. (YOUR VIEWS ON US POLITICS)~~

I have already talked about the need to complete WTO negotiations quickly. The other major message I am bringing to the Chinese leadership is the need to reduce the pressure on Taiwan, to resume the Cross-Strait dialogue, and to moderate the tone of comments about Chen and his leadership, and to act with less bellicosity.

Earlier this week in Taipei, I met with President Chen Shui-bian and with Mainland Affairs Council President Tsai Ting-wen. I was very impressed by Chen Shui-bian and his sincerity. I believe he is interested in reaching an accommodation that will allow Taiwan and the mainland to continue working together under a one-China policy. I, my Senate colleagues, the Clinton Administration, and the next Administration, whether it is Bush or Gore, all fully support the one-China policy. But there must be dialogue across the strait to ensure stability and economic growth in China, in Taiwan, and in the region. This will require flexibility on the part of both Beijing and Taipei. I encouraged President Chen to show flexibility, and I encourage the Chinese leadership as well.

There have been differences in the past between Republican and Democratic Administrations on China policy. The overwhelming support in the Congress for PNTR demonstrates that this is not a partisan issue. So, those who fear a different China policy in a Bush administration, or those who look forward to a different China policy,

will both be disappointed. Our national interest clearly requires incorporation of China into the global trading system and the global political system.

Economic reformers never have an easy time, and the forces in China that want to maintain the status quo are strong. But, economic reform, moving to a market economy, transparency, direct foreign investment, listing of companies on overseas markets - progress in all these areas is of vital importance to the United States. These changes, ultimately, relate to stability in China, accountability, and the development of a middle class. And progress in those areas is vital to ensuring sustained long-term growth in China.

China's entry into the WTO will help anchor and sustain these reform efforts and empower reformers. The WTO is a vital enabler in that process.

Once China joins the WTO, for perhaps the first time in history, China will be accountable for much of its behavior to the outside world. The WTO will review different aspects of Chinese commitments. WTO dispute settlement will allow other countries to examine Chinese domestic economic practices. The dispute settlement system is far from perfect, and I am one of its loudest critics. But it will force China to explain actions that other members believe violate global rules. And, when a violation is found, there will be enormous pressure on China to change and comply with the internationally accepted rules of the WTO.

I am not naive. Obviously, China will not be able to comply overnight with all WTO rules, even with the best of intentions. They have to modify hundreds of laws and thousands of regulations. An enormous amount of training and professional development will be required -- in the judicial system, the customs offices, the agricultural inspection

system. The United States wants to help. The PNTR legislation includes a provision to provide training and assistance in these areas.

Many people thought that the PNTR legislation was the tough battle. The truth is that the real work has not yet begun. And that is where you all play a central role. In your everyday work, you will be the first to spot those areas where China's implementation of its WTO commitments is insufficient. You will bring it to the attention of our government. And you will help us fix those problems.

There is good news about the progress of democracy in Asia. (Without taking sides, the victory by the opposition party in Taiwan's presidential election was very important. One essential element of democracy, as we see in the United States today, is that the party in power can lose and there be a smooth transition. The US might be taking longer than usual this year, but the process is happening in our legislature and in our courts. There has been no violence associated with the controversy in Florida.

Friday, I will meet with Kim Dae-Jung in Seoul, right after he returns from the Nobel Prize ceremonies in Stockholm. Again, in Korea, the opposition party has won a free election and taken power in a smooth transition. Neither Taiwan or Korea has a history that encompasses democracy. But, the human spirit is there, and requires it.

Let me conclude with one final benefit of Chinese accession to the WTO. Taiwan will also join. This should have happened long ago, but we could not ignore political realities. In the WTO, there will be countless opportunities for direct interaction between representatives of Taiwan and the mainland. Under WTO rules, both will have to provide each other the same benefits they grant to other members. Both will be able to use the WTO dispute settlement mechanism against the other.

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And WTO-induced liberalization, in both Taiwan and the PRC, will eventually increase and deepen ties between them in trade, investment, technology, transportation, information, communications, and travel. This is all to the good.

I would be happy to take your questions.