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American Chamber of Commerce-Beijing

Max S. Baucus

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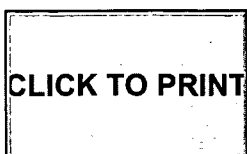
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Senator Max Baucus
Speech to American Chamber of Commerce Beijing
Luncheon
Wednesday, December 13, 2000

Good afternoon. 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 every time. I appreciate your coming to listen to me. I hope you will help me understand what is going on in China.

This is my ^{2nd} ~~third~~ stop on a much too short Asia visit. I have come from ~~Hanoi~~ Hanoi and Taipei, and I go next to Seoul. 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 Montana.

Second, to do my job in the Senate, and especially as the ranking 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.

Let me start by thanking you all for the work you are doing.

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 your efforts. And I thank you for working in the trenches 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.

Now, we need to see China complete its accession negotiations in Geneva, and then join the WTO. I add, parenthetically, that I, and my colleagues in the US Congress and in the Administration, are committed that Taiwan join the WTO at the same General Counsel meeting as China does.

Before I get further into trade and other issues, let me make a few comments on the US political situation.

(Fill in according to news . . .)

Zhou Enlai once said, "China is an attractive piece of meat coveted by all...but very tough, and for years no one has been able to bite into it." We finally have a real chance to take that bite, and the world will benefit.

For decades, we have watched the struggle in China between the forces of reform and the forces of reaction.

I strongly believe that it is a vital interest of the United States to do everything we can to support those who favor reform over totalitarianism, private enterprise over state-owned enterprises, global economic engagement over autarky.

That means we must help incorporate China into the international community. We need to engage China in order to promote responsible behavior internally and externally; encourage them to play by international rules; integrate the Chinese economy into the market-driven, middle-class, participatory economies of the West and, increasingly, Asia.

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.

Certainly, as they 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.

Around the world, we observe that economic growth generally leads to the development of a middle class. As that middle class grows, it makes demands on political leaders for greater participation, accountability, openness, honesty, and enforcement of the legal system. That has been the history on Taiwan, and it can become the future on the mainland.

Once China joins the WTO, for perhaps the first time in history, China will be accountable for its behavior to the outside world. The dispute settlement system at the WTO is far from perfect, and I am one of its loudest critics. But WTO dispute settlement will allow other countries to examine Chinese domestic economic practices.

It will force China to explain actions that other members believe violate global rules. And, when a violation is found, it will put pressure on China to change and comply with the internationally accepted rules of the WTO.

It would be naive to expect that China will be able to comply overnight with WTO rules, even with the best of intentions. In addition to the need to modify hundreds of laws and thousands of regulations, an enormous amount of training and professional development will be required in China -- in the judicial system, the customs offices, the agricultural inspection system.

The legislation granting PNTR to China includes a provision to provide training and technical assistance in China to help develop the rule of law with respect to commercial and labor market standards and democracy-building.

This is going to take a lot of work.

The way that we in America and the leadership in China manage our relationship will set the stage for regional and global politics, security, and economics for decades to come. America must make a profound choice.

Do we bring China into the orbit of the global trading community with its rule of law? Or do we choose to isolate and contain China, creating a 21st century version of the Cold War in Asia? There is no choice here. We must integrate China into the world.

The alternative is too dangerous. We have heard it said many times that if we treat China as an enemy, it will become one. I will do whatever I can to make sure that does not happen.

Another major benefit of Chinese accession to the WTO is that Taiwan will immediately accede as well. This should have happened long ago, but we cannot ignore political realities. In the WTO, there will be countless opportunities for direct interaction between representatives of Taiwan and the mainland.

Under the WTO's most-favored-nation rule, 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. And WTO-induced liberalization, in both Taiwan and the PRC, will increase and deepen ties between them in trade, investment, technology, transportation, information, communications, and travel.

Still another major benefit of Chinese accession is as a vital anchor in the US relationship with Beijing.

This is especially important given the significant differences and frictions between the United States and China in the areas of missile proliferation, regional security, human rights, religious freedom, Tibet, and Taiwan.

An economic relationship, where strong interests develop on both sides to maintain and grow that relationship, provides a base on which other sensitive issues can be discussed and solutions sought. The more China is integrated into the global system, the more responsibly they will be likely to act.

On this trip, I have two main messages for the Chinese leadership. One is the need to complete WTO negotiations in Geneva quickly and get the accession process done early next year. The second is the need to reduce the pressure on Taiwan, to resume the Cross-Strait dialogue, and to talk and act with less bellicosity.

I, my Senate colleagues, and the Administration, fully support the one-China policy. But there must be dialogue across the strait to ensure that the one-China policy works. This is the only way to ensure stability and economic growth in China, in Taiwan, and in the region.

I appreciate your attention and look forward to
your comments.