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COMMENT

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Sino-American trade needs a bilateral framework

Can a row over car parts actually be a good sign for the often turbulent US-China trade relationship? The answer is yes, and maybe for more than just trade relations.

Charles Schumer, the Democratic senator from New York, was right when he said, soon after his recent trip to China: "The relationship, in an ironic way, is getting better. Instead of glossing over the problems, each side is addressing them directly."

In spite of the sometimes inflated rhetoric of the past several months, the US World Trade Organisation case challenging China's classification of car parts imports shows that the two countries are sometimes better able to address trade disputes today, thanks to China's WTO entry in 2001.

But as China enters its fifth year as a WTO member, the two countries still lack a comprehensive bilateral framework for their commercial relationship.

The only forum that currently exists for the US and China to address commercial disputes is the Joint Commission on Commerce and Trade (JCCT), a government-to-government consultative mechanism, which met on April 11 and resulted in progress on several key trade issues.

The JCCT was created in 1983 as a means to promote commercial opportunities. In recent years, it has focused solely on resolving trade problems. Its roughly

annual frequency and one-day schedule limit its ability to address the breadth of issues in the US-China commercial relationship. US government and industry need more consistent engagement with China.

A more comprehensive framework would lay out the common goals and objectives for what will soon be the two largest economies in the world and establish a better bilateral mechanism through which to resolve their increasingly complex and wide-ranging commercial differences. George W. Bush, US president, and Hu

The absence of such a framework may undermine achievements made not just in the commercial relationship but also in the political one

Jintao, Chinese president, have an opportunity to set in motion such a comprehensive framework when they meet in Washington today, thus cementing a more stable foundation for the US-China relationship for years to come.

America is China's largest trading partner and China is America's third largest trading partner. It is hard to believe that a comprehensive framework is not in place to guide these two economies. Its absence threatens to undermine the achievements made not just in the commercial relationship but in the political one as well. The economic rela-

tionship between the US and China clearly is a bellwether for political and strategic relations.

My 20 years of doing business with China include 10 years living and working in Beijing and dealing directly and frequently with all levels of government. This experience has shown that establishing mutually beneficial goals and outcomes is the best way to achieve progress on the very real issues that adversely affect American companies and the American economy. Chinese companies and the Chinese economy, too, benefit in the long run from such outcomes, which generally aim to foster a rules-based economy and introduce greater competition.

A broad framework would identify the commercial priorities for both sides and lay out carrots, not just sticks, along the way to achieving each side's goals. For the US, the framework would, among other things, address better protection and enforcement of intellectual property rights in China, the top problem cited by US-China Business Council members. It would also address the array of market-access issues, as well as greater regulatory transparency, that confront US companies there.

A comprehensive framework would have to address China's concerns as well. For example, one of China's priorities is gaining US recognition of China as a market economy. US law clearly spells out the criteria

for market economy status, one of which is the extent to which a country's currency is convertible. An over-arching framework would include a clear road map of how China could meet those criteria and address the crucial financial reforms and market openings needed to get there. It might also outline steps China would need to take to become a member of what would then become the Group of Nine industrial nations.

US and Chinese businesses, directly and through their representatives at private organisations such as the council, have long played a valuable advisory role for government officials involved in drawing up the JCCT agenda. Under a more comprehensive commercial framework, businesses would surely continue to assist both sides to define priorities for discussion – and devise potential solutions.

Presidents Bush and Hu have a long list of pressing strategic issues to discuss. By taking time to propose a framework to address the commercial relationship, they have the potential to use the solid commercial ties that China and the US have forged since 2001 as a foundation on which to build a broader co-operative relationship in the 21st century.

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