



Letter from the President

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NTR 2001: To Sing the Blues or Walk the Walk

Like a bolt from the blue ... the "Blue Team," the truest case of David versus Goliath in the big-money world of Washington foreign-policy-making ... is posing the biggest-ever challenge to the generously funded China lobby of the Democratic and Republican establishments... Unlike much of what they call the Red Team, which is blamed for putting business concerns above national security, Blue Teamers aren't in it for the money.... Today, the Blue Team no longer is merely a small group of individuals but a movement....

...China's April 1 interception and downing of a US Navy EP-3H [sic] intelligence plane in international airspace, its detaining of the 24 crew members and the continued impoundment [sic] of the aircraft have served to galvanize opinion among the American public, in Congress and within the Bush Administration around positions Blue Teamers long advocated...."

(Excerpted from J. Michael Waller, "Blue Team Takes on Red China," and "Blue Team Vindicated Time and Again," InsightMag.com, June 4, 2001.)

Yes, it's NTR time again.

China isn't in the World Trade Organization (WTO) yet, though it made a giant stride in that direction with the June 7 agreements between US Trade Representative Robert Zoellick and PRC Minister of Foreign Trade and Economic Cooperation Shi Guangsheng. Still, Permanent Normal Trade Relations (PNTR) is not yet the law of the land. And, in America, the law really is the law: no WTO, no PNTR. So we recline again into the steaming cauldron of a summer NTR debate.

Allow me to offer some thoughts on why it would be better for all of us if Congress decided not to overturn President George W. Bush's decision to renew plain-vanilla tariff treatment of China's imports to the United States for another year (or less, if China gets into the WTO before June 2002 and PNTR goes into effect as Congress intended) than if the United States were to shut down \$120 billion in trade with its fourth-ranked trade partner.

What follows can't match the flamboyance of the Men in Blue. It accuses no one of "kowtowing," "appeasing," or being a "paymaster" for the opposition.

I like to think that what follows pretty much embodies a case that the Congress has already broadly understood and accepted. Congress has, after all, sustained the presidential decision to keep the floor of our nation's engagement with China in place every year for the past decade and passed the historic PNTR legislation one year ago.

The United States and China share a shrinking globe; each must maintain a firm commitment to strengthening the foundations of global stability. China and the United States continue to face opportunities and challenges in dealing with numerous regional and global concerns, from the questions before the upcoming Asia Pacific Economic Cooperation (APEC) meetings in Shanghai to the Korean Peninsula question, to issues of international cooperation in law enforcement and environmental affairs, among others. Neither country can wish the other away.

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## The fundamentals of the NTR question remain unchanged, in spite of recent flare-ups in the relationship.

**2** As China has increasingly entered the mainstream of world affairs since the end of the Mao era 25 years ago, it has become a major trading nation and a major trade and economic partner of the United States. It ranked seventh in the world in total trade volume last year. Total US-PRC merchandise trade last year exceeded \$120 billion. China is now the fourth-ranked US trade partner, and the United States is China's second-ranked trade partner. Since 1979, US firms have invested roughly \$30 billion.

**3** Economic and commercial relations have been the most positive aspects of an often-troubled US-China relationship. Their continuation is essential to the maintenance of orderly engagement and to the prevention of an ill-advised free fall in US-China affairs.

**4** China and its WTO trade partners have resolved remaining issues standing in the way of China's full accession to the WTO. Because it will be some months before China's accession process is complete, under current law Congress must again consider whether to act as it has since 1981, by concurring with presidential renewal of standard US import tariffs for an additional year, or whether to do what it has *never* done through all the debates of the 1990s: overturn the action of the president of the United States in sustaining Normal Trade Relations with China.

**5** Since 1992, the House has voted each year to sustain presidential renewal of NTR trade with China, on the grounds that NTR is merely the standard treatment the United States accords to all but a tiny handful of insignificant economies around the world, that the increasing economic interaction between the two nations is fundamentally in the US national interest, and that US repudiation of the massive trade relationship would hinder rather than help to address non-trade issues of concern to many members of Congress.

**6** Congressional defense of normal trade status with China this year is in all likelihood a holding measure pending implementation of PNTR. Last year Congress, after a major debate, agreed that the full integration of China into the world's systems of economic and commercial rules and laws, through WTO, was in the best interests of the nation and the world economy. When China enters the WTO, perhaps by the end of 2001 or else probably in 2002, PNTR will become the Law of the Land, and annual congressional action on NTR renewal will cease.

**7** President Bush has clearly pointed out that a productive relationship with China is desirable and possible and has pointed to trade and economic relations as an example of what is most positive about US-China relations today.

**8** The United States and China have found it difficult to manage many non-trade problems in recent years. It would

be immeasurably harder to control these issues if Congress were to succeed in overriding presidential renewal of NTR.

**9** America's friends in the Pacific, including Japan and Taiwan, as well as the people of the great free-market center of Hong Kong, strongly support continued stable economic relations between the United States and China; rejection of NTR would cause severe economic dislocation throughout the Asia Pacific region.

**10** The fundamentals of the NTR question remain unchanged, in spite of recent flare-ups in the relationship:

- Trade and economic engagement with China generates American employment and contributes to business strength in the United States. China's continuing growth at 8 percent and its commitments to major new market-opening measures under WTO represent opportunity and stability for the US economy, particularly now, when the US economy is slowing. US exports to China rose 36 percent year-on-year in the first quarter of 2001.
- China's imports to the United States at ordinary tariff levels help to keep consumer goods affordable for all Americans, particularly those with low and moderate incomes.
- China's internal evolution in the direction of the market economy, WTO reforms, and the expansion of private enterprise remains on track, despite Chinese domestic worries that these reforms will provide too many opportunities for Americans and others at the expense of those in the PRC who benefit from China's current closed markets.
- China's economic relations with Taiwan, already massive, continue to expand heavily as the economic integration of the mainland and the island progresses. Taiwan's leader has stated his hope for continued normal economic relations between the United States and China.
- Shutting the market to tens of billions of dollars in Chinese exports to the United States will result in the closure of the Chinese market to US exports; the economic punishment of many ordinary workers in Chinese industries; the reduction of US employment supported by exports to China; the ceding of key strategic markets to US competitors in Asia and Europe; the stigmatization of political figures and others in China who are committed to the prime importance of a cooperative relationship with the United States; and very probably the comprehensive degradation of US-China relations, with unforeseeable consequences for both nations.

There it is: the case for NTR renewal, the case for a stable baseline in US-China relations. If the Blues want to call this "kowtowing to Beijing," so be it. I think the Congress will be more sensible than the Blues expect. 完