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NATIONAL SECURITY ADVISOR SAMUEL R. BERGER

REMARKS TO THE WOODROW WILSON CENTER

WASHINGTON, D.C.

FEBRUARY 2, 2000

Speaking to the Wilson Center is always a challenging prospect. It brings to mind the story of the man who lived through the famous Johnstown flood. All his life, this man would tell everybody he met the story of how he survived. When he died and went to heaven, he asked St. Peter to convene a crowd so he could tell them about the great flood. St. Peter said, "I'd be happy to. But you have to remember one thing -- Noah will be in the audience."

There's more than one foreign policy Noah in this distinguished audience. Indeed, Lee Hamilton himself comes with an entire Ark. For more than 30 years, Lee brought a steady hand to foreign policy in Congress, with the emphasis always on patriotism, not partisanship. I thank him for that.

Last week in his State of the Union Address, the President gave a compelling summary of the challenges America will face in the 21st Century. Looking ahead, there's good reason for optimism. This month, America marks the longest economic expansion in our history. Our military strength is unchallenged. Our alliances are strong. Our values are ascendant in the world.

Eighty years after Woodrow Wilson hoped American leadership would help make the world safe for democracy, for the first time ever, more than half the world's people now live under governments of their own choosing.

But as the President said, this is not a world without dangers to us. Our security can be threatened by regional conflicts that pose the risk of a wider war.

The march of technology can give terrorists and hostile nations the means to undermine our defenses, and force us to once again live in fear. The stability of the 21st Century can be threatened by an ever-widening gap between rich and poor. And of course, there is the possibility that our former adversaries Russia and China will fail to emerge in this century stable, prosperous, and democratic.

Today, I want to talk about China. Since President Nixon went to China in 1972, the United States has sought to develop a constructive relationship with Beijing, initially as a counterweight to the Soviet Union and later in recognition of China's growing importance in its own right.

We have worked for the emergence of a China that contributes to peace in Asia. A China with an economy that is open to American products, farmers, and businesses. A China whose people have access to ideas and information, that upholds the rule of law at home and adheres to global rules on everything from nuclear non-proliferation to human rights to trade.

This year, we have an unprecedented opportunity to advance those goals. The opportunity is China's entry into the World Trade Organization.

But before America can realize the full market-opening benefits of Chinese entry into the WTO, Congress must answer a simple question: will it grant China permanent Normal Trade Relations status, which is the same arrangement we have given to 132 of the other 134 countries in the WTO. Doing so is necessary to guarantee the full market-opening benefits of the agreement we negotiated with China.

Or will Congress turn its back on the sweeping changes China has agreed to make and risk losing ground on the issues we all care about?

Every debate on trade must first answer the threshold question: will our economy and our workforce benefit from the terms we've negotiated, or will they suffer?

From an economic perspective, there is no denying that this agreement strongly benefits the United States.

For years, China has had open access to our markets, while its markets have been in many ways closed to American products and services.

This agreement requires China to make wide-ranging new concessions to open its market, while we have agreed only to maintain the market access policies we already apply to China. Denying China PNTR simply would deprive American companies and workers of the full benefits of China's concessions – the favorable market access and dispute settlement that our European, Japanese, and other competitors will have.

This agreement will dramatically reduce China's tariffs on everything from agricultural and industrial products to computers and semiconductors. It directly responds to concerns about unfair trade practices in China and allows our businesses to export to China from here at home, and have their own distribution network in China, rather than being forced to set up factories there to sell products through Chinese partners.

That is what this agreement means in principle. Here is what it means in practice.

Consider the auto industry. Right now, a car made in Dearborn faces an 80 to 100 percent tariff before it can be sold in China -- which prices us out of the market.

If you want to sell cars in China, you need to base your operations in China. To do that, you must form a joint venture with a Chinese state-run enterprise and give it at least a 51% stake. You also must agree to transfer a significant amount of your technology to China, and teach the Chinese how to use it -- which means you are transferring both your product and expertise to your eventual competitors.

And because of local content requirements, most parts have to be made in China, too.

In addition, Americans cannot now directly run parts distribution centers in China, so once your parts are made, Chinese partners have to sell them for you. Americans are not allowed to directly own service centers, either.

And all this assumes that Chinese consumers can buy the cars in the first place, because the only financing that is allowed in China is through state-run banks -- and they don't make loans for cars. Little wonder that there are many times more bicycles in China than automobiles.

Under the new agreement, it's completely different. Tariffs on American cars will fall by nearly 75 percent, so we can compete in Chinese markets. The requirement that we have to link up with Chinese enterprises is eliminated. So is the requirement that we have to transfer our technology.

And, American manufacturers will now be free to use parts made in America for assembly in China, to set up their own distribution centers, to run their own service shops, and to provide their own financing to consumers.

From our perspective, it means that we're going to sell a lot more American cars and auto parts in China, which means more jobs in America. In return, the Chinese people end up with much better products at lower prices. Take that example and multiply it across our other industries -- from manufacturing to agriculture -- and you begin to get an idea of what this agreement could mean to both our economies.

For our part, we must grant China permanent normal trade relations status. It's important to understand what that means: it simply means that we will give China the same tariff schedule we apply to most every other nation in the world, and China will do likewise. It would eliminate the annual vote on China's trade status, which we do not apply to any other WTO member.

Some have said we need the annual vote to address other concerns we have with China, on human rights, proliferation, or religious freedom. But Congress always has the authority to address any part of our relationship with any nation, including China. The annual China trade vote has not been an effective instrument. It simply has affirmed our trading relationship with China for 20 years in a row.

What permanent normal trade relations status for China will do is get us out of the cycle we are now in, where the future of Chinese trade comes up every single year for a divisive and not very effective vote.

The economic benefits of this deal to America are clear. If Congress votes no, we risk losing the full, enforceable market access benefits of the agreement, as well as the special protections we negotiated.

In a global economy, where global markets are essential, American businesses and workers would be put at an enormous disadvantage, essentially shut off from one fifth of the world. It would be a self-inflicted wound for the economic health of America.

But I believe the economic benefits are only the beginning of the argument. For I am convinced that this agreement is as vital to our national security as it is to our economic security.

Our nation has a tremendous stake in how China evolves. We are a Pacific nation which fought three wars in Asia in the 20th Century.

Our future is tied to Asia. And the stability of Asia --economically, politically and militarily -- is inextricably entwined with the stability and direction of China. As China develops, the path it illuminates or the shadow it casts will be felt far from its own borders.

China will write that future as it answers some fundamental questions: It has extended some freedoms -- but will it gain the stability that can only come from respecting human rights and permitting opposing political voices to be heard and felt? It is reforming its economy -- but will it unleash the necessary ingredient of sustained growth in the information age – namely access by its people to knowledge and unfettered thought?

It has become deeply engaged in the international community -- but will it make a broad commitment to play by global rules and do its part to address global challenges like the spread of weapons of mass destruction and climate change? It is growing stronger -- but will it use that strength to build a more secure Asia, or to threaten the freedom and security of its neighbors?

Ultimately, the answers will come from China. But we have a enormous stake in encouraging it to choose the path of integration and reform, not confrontation and decline. Bringing China into the WTO will make a big difference.

To understand why, we need to have a clear-eyed view of China, neither looking through rose-colored glasses or through the glass darkly.

We need to look at its progress and its problems, its system and its strains, its policies and its perceptions of the world. In the last 20 years, China has made remarkable progress in building a new economy, lifting more than 200 million people out of absolute poverty.

One incredible result is that China now has the largest wireless communications network in the entire world, and is linking so many people to one another that it is adding the equivalent of a new Baby Bell every year.

But China faces daunting problems as well. Its working age population is increasing by more than 12 million people -- equal to the population of New England -- every year.

Tens of millions of peasants are migrating from the countryside, where they see no future, to the city, where only some find work. China's political system is plagued by corruption. Its air is so dirty that 25 percent of all deaths in China over the age of five come from chronic respiratory disease, four times the U.S. rate. And China's economic growth has slowed just when it needs to be rising to create jobs for the unemployed and maintain support for economic reform.

For all the progress of China's reforms, private enterprise still accounts for less than one-third of its GDP. China's state banks still are making massive loans to struggling state firms, the sector of the economy least likely to succeed. In other words, China cannot maintain stability or ensure prosperity by maintaining the status quo.

What does this mean for us? As the President said when Premier Zhu Rongji visited Washington last year, "if we've learned anything in the last few years from Japan's long recession and Russia's current economic troubles, it is that the weaknesses of great nations can pose as big a challenge to America as their strengths."

So as we focus on the potential challenges that a strong China could present to the United States in the future, let us not forget the risks that could be posed by a weak China, beset by internal conflicts, social dislocation, criminal activity, and large-scale illegal emigration -- a vast zone of instability in Asia.

Our interest lies in encouraging both stability and change in China by encouraging it to meet, not stifle, the growing demands of its people for openness, accountability, freedom and reform. Bringing China into the WTO will help in three ways.

First, this is not just an agreement to expand trade between our two countries. It will obligate China to deepen its market reforms and open its economy to the world. It will increase the pace of change in China.

China's top leaders understand that economic change is both essential and risky. It is risky because opening China's antiquated economy to global competition is likely to cause more short-term unemployment and the specter of social unrest.

But, interestingly, they also understand that this change is essential because China cannot make the next leap in development without world-class industries and products that can compete in the global economy. And the only way to produce competitive industries is to open the country to outside competition. With this WTO agreement, they have chosen to continue opening their economy, despite the risks that path entails. Do we really want to reject that choice?

The introduction of competition results in natural pressure for progress. A decade ago, China's best and brightest college graduates sought jobs in the government, in large state-owned firms or state-run research institutions or universities.

More and more, the best and brightest either are starting their own companies or choosing to work for foreign-invested companies -- where they generally get higher pay, a better work environment, and a chance to get ahead based on merit, not political connections.

U.S. companies are the leaders in the Chinese market in developing human resources -- by emphasizing teamwork and respect for individual rights. In turn, more and more, Chinese firms are learning that unless they change their working style and treat employees with respect, they will lose out in the competition for top talent.

This process will only accelerate as China joins the WTO, and we should do all we can to encourage it, because it will lift the standards of Chinese workers -- and their expectations.

Second, by accelerating economic change, the agreement we reached also has the potential to encourage China to evolve into a more open society.

In ways that are incomplete, but nonetheless real for millions of ordinary Chinese citizens, China's economic opening already has given its people greater scope to live their lives. Take Shanghai, for example, the city that has been most open to international influence. Ten years ago, people in China did not own their own homes. Today, 25 percent of Shanghai residents are homeowners.

When reforms began, there were no supermarkets, and citizens had to buy food from state-run outlets using coupons. Today, there are more than 1,000 supermarkets and no more rationing of food. A decade ago, Chinese citizens could rarely travel in or out of their own country. Last year, on New Year's Day, airlines added more than 250 flights to international destinations from Shanghai alone.

Nationwide, China has seen the emergence of more than one million nonprofit and social organizations -- professional associations, consumer groups, tenant organizations, environmental groups; a 2,500 percent explosion of print and broadcast media; and local elections in the vast majority of the country's 900,000 villages.

Let us understand: these changes do not mean that the people of China enjoy political freedom. Chinese authorities still tolerate no organized political dissent or opposition, and no challenge to the Communist Party.

Over the past year, we have see an increase in its crackdown on political activities and dissent; stepped-up controls on unregistered churches; the suppression of ethnic minority groups, especially Tibetans; and the imprisonment of even more dissidents whose only crime is free speech.

Because the Communist Party's ideology has largely been discredited in China, and because it lacks the legitimacy that can only come from democratic choice, it seeks to maintain its grip by suppressing other voices. So let me make very clear: This agreement is not, by itself, a human rights policy for the United States. We must and we will continue to speak out on behalf of people in China who are persecuted for their political and religious beliefs.

That is why we pushed for the release of Dickinson College librarian Song Yongyi [SOONG YOONG-YEE], who was released just last week. That's why we sanctioned China as a "country of particular concern" under the International Religious Freedom Act last year. That's why we sponsored a resolution last year in the UN Human Rights Commission condemning China's human rights record and why we're doing it again this year.

We will continue to press China to respect global norms on non-proliferation; to encourage a peaceful resolution of issues with Taiwan; to urge China to be part of the solution to the problem of global climate change.

With or without this WTO agreement, we will need to continue to work in all these areas.

At the same time, I believe this agreement will reinforce and complement these efforts, and help move China in the right direction in fundamental ways.

For example, in the past, the Chinese state was every citizens' employer, landlord, shopkeeper, and news provider all rolled into one.

By advancing privatization, this agreement will accelerate a process that is removing government from vast areas of people's lives.

By giving investors and property owners predictability and protection against arbitrary government action, it reinforces the idea that individuals have rights.

This will give added impetus to those trying to strengthen the Chinese legal system in a way that allows citizens to hold their government truly accountable.

Finally, by opening China's telecommunications market to cutting-edge American technology and international firms, the WTO agreement will help bring the information revolution to cities and towns across China.

A year ago, China had two million Internet addresses. Today, it has nine million. Soon, people in some of the most remote villages in interior China will have access to CNN. And as they become more mobile, more prosperous, and more aware of alternative ways of life, I believe they will seek a stronger voice in shaping their destiny.

Of course, just last week, Beijing announced that it was cracking down on the Internet. It's outrageous -- but it's also futile. In this information age, cracking down on the Internet is like King Canute trying to still the waters. Indeed, the fact that the Chinese government is pushing back against the increasing flow of information to the Chinese people only proves that the changes China is undergoing are real and threatening to the status quo.

This kind of repression is not an argument for slowing down the effort to bring China into the world; it's an argument for accelerating it.

In the end, as China opens to the information economy, it can succeed only as it liberates the minds of its people and empowers the individual. In this age, you cannot expect people to be creative economically and frozen politically.

At the same time, China may discover that people are far more willing to tolerate wrenching economic change when they have a say in the decisions that affect their lives. Compare the fates of the governments of an autocratic Indonesia and a democratic South Korea as they faced the Asian financial crisis over the past two years.

Bringing China into the WTO doesn't guarantee it will make the right choice for political reform. But by accelerating the process of economic change, it will force China to confront that choice sooner, and make the imperative for that choice far more powerful.

How will China change? I believe it will be a combination of internal pressures for a greater voice and external validation of the human rights struggle by the international community. The WTO agreement will bolster the former while we maintain our leadership role in the latter.

Our policy should no more be measured week to week or year to year than you could have measured our policy toward the Soviet Union -- with which we continued to engage, even though it posed a much greater threat to us than China does today.

<u>This agreement will advance our national security interests in a third way as well: it increases the chance that in the new century China will be on the inside of the international system, playing by the rules, instead of on the outside, denying them.</u>

Under the terms of this agreement, the Chinese government is obliged to publish laws and regulations. It subjects some of its most important decisions, for the first time, to the review of an international body. Why does that matter?

Quite simply, it applies to China the basic principle at the heart of the concept of the rule of law: that governments cannot behave arbitrarily at home or abroad, that their actions are subject to rules consistently applied. Remember, China is choosing to embrace these obligations.

As China becomes a stakeholder in the WTO and other international regimes, it will be more likely to accept the legitimacy of international norms, and define its future within the international community, not outside of it.

I know some say that if China is allowed to join the WTO, it actually will undermine our effort to strengthen global norms in two very important areas: labor rights and the environment. But the fact is, most of the members of the WTO already are developing countries, with the same concerns that trading rules not become an instrument to restrict their growth. China's membership won't change that equation.

And considering the fact that China is home to one-fifth of the world's people and the source of a rising share of greenhouse gas emissions, it is hard to imagine an effective global effort to meet those environmental challenges without China.

It's fair to ask: how do we know China will do what it promised to do in the agreement we signed?

Of course, we cannot know for sure. But we do have reasons to believe that it will, and mechanisms to reinforce that.

First, China is pledging to open its economy and its markets not just as a means of getting in the WTO, but because most of its leaders believe reform is in China's interest.

Second, as a member of the WTO, non-compliance by China is subject to dispute resolution under the WTO; like any other country, China will confront judgments backed by a 135-member body, rather than being able to chalk up friction to supposed U.S. bullying. Right now, if China treats our products unfairly, we have no recourse, short of pulling the plug on trade.

This agreement increases our leverage with China in the event of a future trade dispute. If China does not comply with adverse rulings by the WTO, we are entitled to take equivalent action against China.

In the end, we must and will continue to protect our interests with firmness and candor.

But we must do so without isolating China from the global forces that can empower its people to build a better future. That would leave the Chinese people with less access to information, less contact with the democratic world, and more resistance from their government to outside influence and ideas.

No one could possibly benefit from that except for the most rigid, anti-democratic elements in China itself. Let's not give them a victory by locking China out of the WTO.

The question is not whether or not this trade agreement by itself will cure serious and disturbing issues of economic and political freedom in China; the issue is whether it will push things in the right direction. President Clinton believes it will.

Some of the most courageous proponents of change in China agree. Martin Lee, leader of Hong Kong's Democratic Party, says that without entry to the WTO, "any hope for the political and reform process would also recede." And Chinese dissident Ren Wanding [REN WAHN-DING] said upon the deal's completion: "Before, the sky was black. now it is light. This can be a new beginning."

It is our shared conviction that supporting this agreement is a new beginning. It is the right thing for America, for China, for Asia, and for the world. It will increase the chance that China will define its future within the international community, and move toward a more open society that upholds the rule of law. That is what is at stake in this debate. Let us have the wisdom to choose wisely. Thank you.