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China's Bid for Permanent Normal Trade Relations:  
A Hearing on the Debate

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**Introduction**

Here are a distinguished chair, distinguished questioners, and (leaving aside present company) a distinguished panel. I appreciate testifying before you at a time when, to use Deng Xiaoping's phrase, we should "seek truth from facts." Such seeking becomes more difficult, and more important, as we consider the political and economic realities of China policy during a campaign year.

I returned to Washington from a State Department U.S. Embassy Beijing assignment having experienced firsthand the June 4, 1989, Tiananmen period. Yet even from that time, I have consistently said congressional revocation of China's most-favored-nation status was too blunt an instrument for calibrating Sino-U.S. relations. Today as then, I strongly support China's WTO entry and the United States granting China permanent normal trade relations (PNTR) status as the best way to advance our interests and values, including for the following three reasons:

First, PNTR and the World Trade Organization (WTO) entry it enables are part of the global and historical process by which China and other major countries conform and contribute as full and responsible members of a rules-based international society.

Second, WTO entry for both China and Taiwan is something both China and Taiwan agree on. This promotes U.S. interests with each, as well as encourages mutually beneficial economic ties across the Taiwan Strait. U.S. members of Congress can vote for PNTR for China and WTO entry for both Beijing and Taipei as something in the U.S. interest and as something on which those on both sides of the Taiwan Strait agree.

Third, while the trade and economic issues related to China's WTO entry are complex and will need continued attention over time, the time to address - and approve - PNTR for China is now.

**Three Points**

Let me elaborate these three points briefly.

First point: PNTR and WTO entry are part of the global and historical process by which all major countries conform and contribute as full and responsible members of a rules-based international society.

Some years ago, I stood next to the Chief Justice of the United States Supreme Court as we handed China's leader an official gift. The wooden presentation case, lined with red velvet, contained a quill pen and inkwell that went with the real gift: the standard, brown-paper-covered, Government Printing Office edition of the Constitution of the United States of America. I know of

no better four word summary of what the United States stands for and seeks than the words on the pediment of the Supreme Court building: Equal Justice Under Law.

A fundamental U.S. objective is to help China establish its own incentives and modalities, giving its leaders and people in all generations, regions, and sectors a strong self-interest in China becoming a full and responsible member which conforms and contributes to a rules-based international society.

The processes by which China and other countries create a rules-based international society are a natural consequence of global and historical forces that affect all countries. It is understandable to portray China's WTO entry as a policy vehicle for peace, stability, reform, and democratic change in China. Economic reform will continue to have wide-ranging impact in China, as it has had from 1978 to the present. And political change in China may indeed continue as the PRC conforms its economy to WTO disciplines. Yet, while we understandably portray technical and messy China trade and economic issues in terms of larger U.S. values, we should characterize any political change in China for what it is genuinely likely to be -- a consequence of China's voluntary participation in globalization processes, not a U.S. policy objective.

Second point: WTO entry is something China and Taiwan agree on.

Each is ready to join, and each should join within the same General Council session. China's WTO entry is good for China; Taiwan's WTO entry is good for Taiwan; and the entry of both is good for both, as well as for the United States.

As we know, on March 18, 2000, a strong turnout of 82% of eligible voters cast ballots, electing Mr. Chen Shui-bian Taiwan's next president. President-elect Chen, recognizing any delay in China's WTO entry would also likely delay Taipei's WTO entry, specifically welcomed "the normalization of U.S.-China trade relations" and "both the People's Republic of China's and Taiwan's accession to the WTO."

On March 21, Taiwan's Legislative Yuan authorized Taiwan's executive branch to allow direct trade between its offshore islands and mainland China. These so-called three mini-links suggest a Chen Shui-bian administration's hope to deepen economic ties with China. This is easy to imagine given that 40.41% of Taiwan's foreign direct investment goes to mainland China and, according to Taiwan's Board of Foreign Trade, some 70% of products produced by Taiwan factories in China are shipped to the United States.

The possibility of Beijing and Taipei dealing directly on economic matters within the WTO may offer another practical channel for the two sides of the Taiwan Strait to engage each other directly on matters of common interest.

In other words, U.S. members of Congress of all persuasions can vote in good conscience for China PNTR without seeing it as a zero-sum choice between China and Taiwan. PNTR for China and WTO entry for both Beijing and Taipei is something those on both sides of the Taiwan Strait agree on.

Third point: the time to address - and pass - PNTR is now.

Some circles, for understandable reasons, tend to overstate the potential benefits of China's WTO entry and of granting China PNTR. PNTR and China's WTO entry are not an economic and trade panacea. Many WTO-related challenges remain (such as exact stipulations of China's final accession protocol), and new ones may develop (such as enforcement timetables for various commitments).

It may be true that because trade with the United States and the world under the WTO remains essential to China's economic growth, and thereby to its employment rate, social stability, and

further economic strengthening, Beijing may continue to manage its trading system as part of its strategic development approach. It does so with a sharpened sense of vulnerability after the Kosovo war and, thereby, with an intensified imperative to use all means possible to accelerate comprehensive national strength and international position.

It is also true that many inter-linked imponderables remain regarding whether the WTO will facilitate China's resumption of a reasonable growth approach less dependent on domestic fiscal expenditure. Over time, China may shift toward an economic growth model based on greater domestic consumption. Many of these unknowns will have to be worked out over time. But, knowing what is possible to know at this point, it is clear that the time to address - and pass - China PNTR is now.

## **Conclusion**

Now is the time to pass PNTR for China.

This will facilitate China's full participation in a rules-based international society. It will foster U.S. WTO interests with both China and Taiwan and WTO-based potentially mutually beneficial relations across the Taiwan Strait. And, though it is no panacea for present or future Sino-U.S. trade challenges, China PNTR is the right way to move forward now.

NAFTA has set the tone and example for better bilateral relations, but it is not a panacea. It cannot substitute for strong political leadership and strategic vision. In some quarters, the U.S. has regressed to a "Mexico bashing mode reminiscent of an earlier century. Since the passage of NAFTA, U.S. leadership has at times run away from NAFTA commitments for the sake of political expediency. And some in Mexico yearn for a return to the day when national dignity required chilly relations with the United States. But the close to \$200 billion in trade that currently flows across the U.S. - Mexico border, and the ties of friendship that inevitably accompany that flow, is a permanent foundation on which to build a better bilateral future.