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LETTER from the President of the US-China Business Council

Tasks for 2002

With the US and China pondering how to move forward in positive directions, American businesses might well ask themselves how to focus their efforts in 2002.

As the new year dawns, China is in the World Trade Organization (WTO) and frictions between the United States and China are in remission. There is, apparently, a modicum of US-China cooperation in the epochal conflict with terrorism. US Navy port calls in Hong Kong are back on track. It appears that the FBI will finally have its office in Beijing. US military jets reportedly escorted President George W. Bush's aircraft into Chinese airspace as the president approached Shanghai for the Asia-Pacific Economic Cooperation meetings. Lessons appear to have been drawn from the handling of the EP-3 crisis that convulsed US-China relations only months ago.

What is lacking, as yet, is a clear sense of where the two countries can and should go from here. Both sides appear to want progress: the question is, how, and on what?

Each side knows that the darker currents of suspicion, resentment, and fear that broke to the surface in the spring and summer of 2001 have been pushed back but not eliminated. In the United States, for example, the farther China moves in the direction of economic success in modern, market-oriented, global terms, the more one hears expressions of concern that China's rising economic prowess will threaten American jobs and livelihoods or provide the economic wherewithal needed to threaten the United States militarily. Furthermore, we will soon again face the springtime of high-profile reports to Congress on China as mandated in so many American laws.

In China, the decision to "go global" by entering the WTO on the world's terms provokes anguish and anxiety over the prospect of greater vulnerability to global forces, including American economic power. Many Chinese feel that the country has bitten off more than it can chew. Internationally, the new US military presence in Central Asia—to which China has made no visible objection—and the complexities of South Asian geopolitics since September 11 have created a new reality, which Beijing has not yet publicly tried to define.

As 2002 begins, China is settling into a new identity, domestically and internationally. With the two countries pondering how to move forward in positive directions, American businesses might well ask themselves how to focus their efforts in 2002. A few suggestions follow.

1 Help make WTO work— for us and for China

This is Task One. China's fulfillment of its immense range of WTO obligations is primarily its own responsibility, but US business can and must help.

First, American firms must know the WTO catechism themselves: we need to be clear as to what WTO requires of China and what it does not, in part so that we understand which business issues are *not* covered by WTO provisions. We also need to know how to make full use of China's WTO commitments to defend and advance our business interests in and with China.

Business must also provide the bulk of the hard data on which the US government will base its assessments of China's progress in implementing its WTO commitments. The US-China Business Council, which has long served as a reliable channel for two-way communication between our member companies and our public servants, will continue to provide experience-based and nuanced understanding of commercial realities—positive and negative—to responsible evaluators of China's WTO progress.

Business must, however, also make its own strenuous efforts to assist China in effecting WTO-mandated changes of behavior and understanding. Indeed, I sense in China now an uneasy recognition that the gap between "book knowledge" and experiential knowledge is likely to be huge. A gigantic educational task awaits them—and us (*see p.8*).

One hears from time to time the view that Americans should not be throwing resources into WTO training for China, lest they equip

China with the competence to outmaneuver us in the global trading system. Such a view is short sighted. Leaving aside the fact that the United States trails far behind the Europeans and others in its overall WTO capacity-building effort, it is deeply in the interests of American business and the US economy that China fulfill its WTO obligations, on time and in full. Moreover, disappointed expectations loom as a flashpoint in Washington if the perception of steady Chinese advance toward WTO compliance falters.

The paradox at the heart of China's WTO implementation is that it requires the far-reaching exercise of behavior-changing power by China's central government to create a WTO-compatible socioeconomic order in China in which the role of central power is itself sharply curtailed. Huge issues of ideology and policy await resolution in this country with 60 million Communist Party members and more than a million towns and villages. China needs to create two not entirely compatible realities under WTO: an effective nationwide harmonization of economic behavior built on WTO-compatible law, and the empowerment of hundreds of millions of people whose futures depend on their ability to secure their livelihoods free from the overly intrusive controls of public authority.

2 Supplement official cooperation in the "soft" policy fields with enhanced corporate responsibility commitments in China

For the moment, we are not in crisis with China. This is the time to deepen US-China cooperation in the "softer" fields that embody the common interests of our two huge nations. The US State Department has an office of Global Affairs that encompasses many of these areas of concern: infectious disease, environmental issues, trafficking in human beings, human rights, rule of law, money laundering, global narcotrafficking. It is a long list, even without the enormous matter of counter-terrorism.

When US-China relations are shaken by crisis, however transitory, such cooperative forms of engagement tremble as well. On the other hand, the broader these bilateral engagements grow, the greater their ability to modulate the shocks that periodically afflict US-China relations.

Much of that broadening is the job of governments. For American companies engaged with China, particularly as they become more and more a part of the fabric of Chinese society under WTO, opportunities to contribute lie in the realm of socially constructive commitments—"corporate citizenship" or "corporate responsibility." US companies traditionally bring to the countries and communities in which they operate a sense of social responsibility that rightly redounds to their credit. Many American companies have already devoted significant resources to

positive efforts in China. The time for further growth of these efforts is ripe (*see p.34*).

3 Communicate effectively

Between crises, China has a way of dropping out of sight in US political and public dialogue. American companies need to communicate continually with American media and opinion leaders about their experiences in China and about the changing China in which they operate. The US-China Business Council works at this task and will continue to do so, in cooperation with member companies. Continuity is important; if we wait until the pot is again boiling over, we will have lost an important opportunity to strengthen and stabilize US-China relations.

Across the Pacific, meanwhile, US-China Business Council representatives in China have been interacting effectively with Chinese official counterparts, wide-ranging Chinese audiences, and the Chinese media, particularly as WTO membership has come into view. That augurs well for business's growing ability to touch the perceptions of those beyond business on whom the stability of US-China relations depends in significant measure.

4 Achieve basic literacy on national security issues

The most troubling concerns looming between the United States and China now lie in the national security realm. Notwithstanding the careful deepening of US-China cooperation now apparently under way in some areas of security work, there exists in each country a body of politically potent opinion that considers the other country a growing danger to national security. As China's economy grows, its global economic vigor increases, and its trade and investment relations with the United States continue to expand. The confluence of the economic and commercial discourse with the national security discourse is already a fact of life.

American companies cannot pretend to higher knowledge in the national security field than impartial professionals who spend all their time in that field. But it behooves American companies to learn the central issues. No one is talking about American business serving the interests of a foreign power here—quite the contrary, in fact. But the world is changing, and we would be naïve to assume that commercial advocacy can succeed if we ignore the more threatening interpretations of American commercial engagement with China that increasingly find their way into the public policy discourse.

These are some of the tasks we, as companies engaged with China and as the premier organization of those companies, face as we move beyond a tumultuous 2001 and into a guardedly hopeful 2002. 完

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