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Asia-Pacific Regionalism as an Illusion?: A Case of China's Entry for WTO

KEIJI NAKATSUJI
Ritsumeikan University, Kyoto

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Ritsumeikan University, Kyoto
Keiji Nakatsuji

Introduction

Replacing ideological identities, the end of the Cold War revived the importance of spatial identities in international relations. Along with ethnic bonds that often constitute geographically smaller spatial identities, the rise of regionalism in various parts of the world can be understood in this manner.

The attention to regionalism also reflects increasing necessity of multilateral cooperation in international relations. Accelerated interdependence among nations in security, economic and environmental fields, inevitably demands international cooperation whether it may take a form of globalism, regionalism or any other forms.

Globalism, however, is often too large and too distant existence for anybody to identify with. Smaller groupings, for example regionalism, can meet local needs more effectively and efficiently through tailor-made regional standards.

In addition, historical trends since 1970s are those world systems have become less and less stable whether you discuss security or monetary order. To sustain global orders, it seems sub-systems of sort are in need and regionalism may provide them.

However, discussing rising demands of regionalism alone can not be sufficient to prove regionalism's staying power. The supply side of regionalism should also be carefully scrutinized. For developing a strong and growing regionalism, at least a few conditions need to be met. First, *constituents of a regionalism should believe that they share goals, rules, and interests in their group activities*. Long sustenance of the belief may even nurture an independent culture of sort and enhance a sense of community. At least, it will promote trustful relations among constituents.

Second, to promote regionalism, *there should an institutional framework around which constituents develop and implement joint action programs*. The framework therefore naturally provides *occasions and opportunities in which members will exchange information and promote understandings*. These multilateral gatherings obviously reduce transaction costs of each member to make adequate foreign policies.

Third, possibilities are that the above-mentioned share of ideas and institutional framework will, to some extent, realize *convergence of behaviors among members*. These joint actions will in turn promote evolutions of the institutional framework and the sense of community. Therefore, there will be a birth of momentum for the advancement of mutual help and interests. These cycling effects gradually strengthen regionalism. In short, there are synergistic relations among the three key variables of regionalism.

Based on the above theoretical discussion, this paper extends an inquiry for the possibilities of Asia-Pacific regionalism. The question whether there are solid conditions in the Asia-Pacific region for developing a stable regionalism will be asked throughout the paper. More concretely, the viability of Asia-Pacific Economic Cooperation forum (APEC) will be examined through a specific case of China's entry application for the World Trade Organization (WTO). The China's bid was originally submitted to the secretariat of the General Agreement on Tariffs and Trade (GATT) in 1986 and, after 13 years, it is still pending at the moment of this symposium. Claiming "open-regionalism", APEC shares with WTO the goal of attaining the world of free trade. Therefore, the entry of China for WTO can be a tangible purpose of APEC also. Indeed most member economies of the organization consistently sought the China's entry.

Asia-Pacific nations work for China's entry

China's entry for WTO appeared to be a *shared goal* of Asia-Pacific nations from the beginning. In a major speech about China before his meeting with Chinese Premier Zhu Rongji on April 7th in 1999, President Bill Clinton declared that "if China is willing to play by the global rules of trade, it would be an inexplicable mistake for the United States to say no".¹ Indeed as early as January 1992, according to Chinese authority, the United States made a commitment to work "constructively with the Chinese Government" to "reach an agreement on an acceptable protocol" for China's admission to the world trade body, then called GATT.²

One of the earnest supporters for China's entry is undoubtedly Japan. At a Group of Seven industrialized countries meeting in Lyon, France in June 1996, Japanese Prime Minister Ryutaro Hashimoto pressed other leaders to admit China into the World Trade Organization.³ Tokyo insisted that China's participation in international organizations such as WTO would help to improve Asia's regional security. "China's joining the WTO would be an important step for it to become a constructive partner in the international community," said Deputy Foreign Minister Shunji Yanai.⁴ Even before the Hashimoto's move, the Foreign Ministry of Japan started its groundwork to promote the China's entry for WTO. At an Uruguay round cabinet level conference in Morocco in April 1994, the Foreign Ministry's senior officials appealed that the "integration of China in international market economy structure accelerates the reform in China."⁵ An editorial of Asahi, a leading newspaper in Japan, contended that it was only Japan who can persuaded China to play by WTO rules and member nations to admit its entry.⁶

A report published by the Ministry of International Trade and Industry (MITI) in 1997 made an interesting plea to accelerate China's admission. The report argued that the only way smaller countries in Asia and elsewhere could achieve bargaining power with China on trade issues would be through the WTO. A senior MITI official told that, at present, only the US and Japan had a "bargaining position" with China because of their economic strength, whereas any country would be able to raise their grievances within the WTO once China was admitted. Should China fail to accede to membership of the WTO, warned MITI, this would "seriously damage the credibility of the Chinese economy. Trade and investment from the rest of the world that are essential for China's further development will also suffer".⁷

The view of Japanese Government gained currency in many other Asia-Pacific countries. For example, reporting back from his meeting in China with Vice-Premier Zhu Rongji and Foreign Trade Minister Wu Yi, Australian Trade Minister Tim Fischer told on September 17 in 1997: "The sooner we have China satisfactorily in the WTO, the better for the momentum of further trade liberalisation progress."⁸

Singapore's Prime Minister Goh Chok Tong also argued that the entry for WTO would "accelerate China's ability and willingness to play by global rules". On July 5 1996, Singapore's Ambassador to the United States told that "Europe and Japan can play a very major role to get China into the WTO." He also emphasized that, "It is impractical to leave out one of the largest economies in the world from the WTO," that counted 134 member countries.⁹ Indeed, by the year 1997, China's gross national product reached the seventh largest in the world.¹⁰ China, the world's most populous country, also became the 10th largest exporter after the U.S., Germany, Japan, France, Britain, Italy, Canada, The Netherlands and Hong Kong with exports worth \$180 billion constituting close to 3 percent of global trade.¹¹ For Japan, China is second biggest trading partner only next to the United States.¹² For the U.S., became China 5th ranked trading partner after Canada, Japan, Mexico and Germany in 1997.¹³

At the International Chamber of Commerce's 35th Congress in Shanghai in

April 1997, the Singaporean Trade Minister George Yeo warned of negative effects of China's exclusion. He said that delays were fostering disaffection among a generation of young and politically influential Chinese officials and politicians. Rather menacingly, he likened the situation facing China to that confronting the Japanese during the 1930s as the country struggled to build an industrial base in the face of hostility in the West to its economic development. The Trade Minister said the result of the West's opposition was the rise of Japanese nationalism that spawned World War II.¹⁴

While the Singaporean used a scare tactic, the Hong Kong government was more statistical. The Hong Kong Trade Development Council chairman Victor Fung presented a report to GATT director-general Peter Sutherland on October 5, 1994, that claimed China's import liberalization had added \$36 billion annually to other countries' exports to China over the past eight years. The report predicted that the admission would boost China's purchasing power and its imports, which would exceed \$1 trillion soon after 2000. Also according to the report, "In terms of imports as a proportion of the country's GDP, China is now at least twice as open as India and Brazil, and significantly more open than the United States and Japan." Imports were equivalent to 19 per cent of China's GDP in 1993, compared with 10 per cent in India and the US and six per cent in Japan and Brazil.¹⁵

Assistance to the Hong Kong report came from an unexpected quarter. On September 18, 1997, the World Bank forecasted at the occasion of launch of its China 2020 report that China's share in world trade would triple over the next 25 years to 10 per cent, making it "a major engine of growth for world trade". It also predicted that benefits to China alone would be US\$116 billion a year by 2005, with closer global integration bringing rising wages for both industrialized and developing nations.¹⁶

Thus, many Asia-Pacific nations believed that China's entry would vastly promote *regional interests*. Economically the market of China is incredibly promising for its own as well as neighboring countries and its inclusion for the trade body seemingly will make market-oriented reforms of China irreversible. There will be *external benefits* also. The China's participation, they maintained, will positively contribute to the regional security and enhance bargaining positions of the region's developing partners in their trade negotiations with China. In short, they perceive that the China's entry will bring a win-win situation and effects of its exclusion will be destructive for both China and Asian neighbors. A former Prime Minister Lee Kuan Yew of Singapore aptly explained the sentiment by saying, "For reasons of peace and stability, integrating China into an international framework is not a question of choice, but of necessity."¹⁷

Not a share of the idea among various Asia-Pacific nations alone assisted China but APEC forums became *an institution* that provided *occasions and opportunities* for promoting its entry. Utilizing the occasion of annual conference of Asia-Pacific Economic Cooperation forum held at Osaka in November 1995, China canvassed the officials of member economies for support for her bid to join the World Trade Organization. One of its efforts was a meeting of Chinese Minister of Foreign Trade and Economic Cooperation, Wu Yi with Japanese Prime Minister Hashimoto.¹⁸ The informal APEC Summit Conference in Osaka responded the Chinese plea issuing a declaration that indirectly supported the China's entry.¹⁹

The Asian financial and monetary crisis since 1997 indeed compelled an APEC-affiliated informal non-governmental organization to take action. Early in 1999, the Pacific Economic Co-operation Council (PECC), consisting of business leaders, government officials and academics, that report to APEC, declared that China's membership of the WTO is critical to sustain recovery and growth in the Asia-Pacific

region.²⁰

Indeed, the APEC forum has so far provided four occasions and led to two more opportunities for bilateral summit conferences between President Clinton and President Jiang Zemin of China. US-China relations have been obviously the keys to achieve the goal of China's entry. Because, according to the WTO rules governing entry, aside from the requirement of two third consent for multilateral general protocol, major trading partners of the country in question have to approve its entry through bilateral negotiations. There is no question that the US has been the China's biggest trading partner.²¹ The first summit between the two leaders was held at Seattle in November 1993. The second opportunity was at Bogor in Indonesia in November 1994. Though near-missed at Osaka in 1995, they met again at Manila in 1996. At the Manila conference, the two leaders announced an exchange of state visits in two years time. Observing the commitment, Jiang Zemin's state visit to the U.S. was realized in October 1997. Within a month, they met again at the APEC forum in Vancouver. In June of 1998, Clinton returned a state visit to China.²² Apart from APEC, the two leaders met one more time in New York at the occasion of 50th anniversary celebration of the United Nations on October 25 in 1995.²³

So far we have confirmed that many Asia-Pacific nations shared a positive view for China's entry of WTO and APEC forum worked as an *institution* that has provided *opportunities and occasions* to enhance understanding among Asia-Pacific nations on the issue. The Forum especially assisted discussion between the United States and China. What about more concrete *actions* of APEC member economies to promote China's entry?

Five times from 1995 through 1999 at quadrilateral conferences of Trade Ministers among Japan, the United States, Canada and the European Union, Japanese government pushed the United States to take more flexible attitude for China's entry.²⁴ At the Kobe conference in 1996, after intensive debate, the participants agreed that it was essential to open WTO for the entry of economically meaningful markets and took a step forward to admit China with certain conditions.²⁵ At the Versailles meeting in 1998, Japanese government requested that China should be allowed to join the World Trade Organization by 2000.²⁶ The Tokyo conference of 1999 issued a following statement. "We welcomed progress made in respect to the admission of China and will continue our respective discussions with a view to completing these admission negotiations prior to the Seattle ministerial meeting to enable China to participate in the next round as a WTO member."²⁷

From October 24 through 25 1996, Japan Institute of International Affairs, an affiliate organ of the Japanese Foreign Ministry, organized a seminar during which some 30 government officials, academics and businessmen brainstormed problems concerning China's stalled WTO entry. Prime Minister Hashimoto directed the Foreign Ministry to arrange the seminar to give fresh impetus to China's WTO membership bid before the world body's ministerial meeting in Singapore in December of the same year.²⁸ Two weeks later, China adopted an idea floated at the seminar by pledging at the Working Party meeting on China's WTO entry a "standstill" on any new laws or policies that were inconsistent with WTO principles.²⁹

Finally, on July 8 in 1999 during a state visit of Prime Minister Keizo Obuchi, Japan and China concluded bilateral negotiations on China's accession to the World Trade Organization. With the signing of the WTO deal, Japan became the first country of seven industrialized nations to officially approve Beijing's 13 yearlong bid. "We hope the Japan-China WTO accord would spur others to speed up their efforts as China's entry into the WTO is beneficial to global trade." A Japanese senior official said in an obvious reference to the stalemate in China-US, China-EU WTO negotiations.³⁰

On July 13, Australia followed the Japan's action by concluding her own bilateral accord for China's entry. The two nations agreed on both service and goods trades.³¹ Indeed, the cooperation existed between Japan and Australia ever since Prime Minister Hashimoto proposed on November 22 in 1996 to Australian Prime Minister John Howard to work together for a promotion of China's WTO access.³²

In fact, a couple years before Japan and Australia, New Zealand and South Korea had already reached an agreement with China.³³ Therefore, chances are that other Asian nations may follow suit from now on. But it is not clear that the US will take same action, because Deputy US Trade Representative Richard Fischer told press that there was not a meaningful result in the Japan-China agreement and it left a hard work for the US to open China's market further.³⁴ Therefore, the only evident fact so far is that China's entry is not allowed even after 13 years toil. Why is it taking so long despite collaborative statements and actions by many Asia-Pacific nations?

Causes of Delays

In 1986, China formerly submitted an application to be a member of the General Agreement on Tariffs and Trade. Next year, the GATT set up a working party, which would negotiate with China on a general protocol. However, the smooth proceeding of the negotiation was severely disrupted by the Tiananmen Square incident, which took place in 1989. The massacre of democratic activists by the Chinese authorities virtually eliminated gradually enhancing reputation of China since the start of opening policy in 1978. The GATT negotiation naturally stopped and China had to wait until 1992 to resume the negotiation.³⁵ In terms of US-China relations, the annual extension of Most Favored Nation treatment, WTO entry, was at most US could debate in public and offer after the Tiananmen Square incident.

However, on November 13 in 1994, on the eve of APEC forum in Indonesia, New York Times reported that the United States and China were entering the final phase of long and heated negotiation over the terms for Beijing's entry into the World Trade Organization. The organization was to succeed the GATT on the New Year's day of 1995. Thus, December 31 was considered the deadline for China to be a founding member of the new international trade body. In a summit meeting in Jakarta on November 12th with President Jiang Zemin, President Clinton reiterated that the U.S. government wants China to be admitted to the accord, but that Beijing first must take further steps to open its markets.³⁶ Washington complained that China's tariffs remained too high and too numerous. It also pressed the Beijing authorities to dismantle trade barriers that protect captive markets such as banking and finance. Beijing's industrial policies, which focused on helping essential industries like automobiles, telecommunications and petrochemicals, were criticized and told to raise questions whether the Communist leadership will adhere to commitments on market access. Most of all, China's commitment to protect intellectual properties like computer software, videos, and compact disks was strongly demanded.³⁷ Indeed, during the period, an intense trade friction over the piracy problem was going on between the two countries. The US Trade Representative Mickey Kantor repeatedly warned that unless Chinese piracies of American intellectual property rights were stopped, Washington would enforce sanctions and would not support China's membership for the WTO.³⁸ An important economic background of the negotiations was that the US trade deficit with China was sharply rising from \$18 billion in 1992, \$23 billion in 1993 and \$30 billion in 1994 according to some US statistics.³⁹ Indeed the figure was approaching nearly half the size of trade deficit with Japan.⁴⁰

Responding to the America's attitude, China's Trade Minister Wu Yi bluntly accused at a news conference the United States of violating the "most important commitment" in the 1992 accord, which called on Washington to staunchly support

China's bid to join the GATT.⁴¹ Despite the protest, China missed to be a founding member of WTO. The two governments however concluded an agreement over the protection of intellectual property rights on February 26 in 1995 and the WTO entry negotiation anyhow resumed.⁴²

Issue external of trade, however, soon came up to disrupt the negotiation again. The US government allowed Taiwanese President Lee Teng-hui to make a private visit to the United States in early June.⁴³ Protesting that the visit constituted a break with Washington's "one China" policy, Beijing recalled its Ambassador to the US.⁴⁴ In addition, an American human rights advocate, Harry Wu was jailed and convicted of stealing state secrets by the Chinese authority. The accident naturally aroused an outburst of protest by human rights organizations in the United States. Although on October 24 Clinton and Jiang were able to meet in New York at the occasion of UN 50th anniversary celebration, the most they could do was to repair the strained bilateral relations and naturally the WTO entry issue was hardly discussed.⁴⁵

An atmosphere for the negotiation became worsened when China implemented a missile exercise near the water of Taiwan to restrain moves of Taiwan for independence. US Trade Representative Mickey Kantor testified at the Congress that the negotiation became indeed delicate and difficult because of the missile exercise and human rights situation in China.⁴⁶ Chinese Foreign Trade Minister, Wu Yi, shot back, saying "If some countries try to block China WTO accession on the basis of the military exercises, that will not be popular and will fail to win the support of other countries."⁴⁷

Meanwhile human rights violations seemingly continued in China. For example, Beijing sentenced a prominent dissident, Wang Dan, to a lengthy prison term in October 1996. Although the Clinton administration formerly separated human rights with trade benefits in 1994, an official acknowledged after the Wang's sentencing, "it's painful to reward that kind of behavior with talk of letting China into the ultimate club of trading nations." In fact, even after 1994, many Congressmen did not abandon the linkage. There were rumblings from some Democrats and Republicans that any United States decision to agree to Chinese entry should be subject to Congressional approval.⁴⁸ Indeed Clinton had to continue delicate political maneuvering since the spring of this Presidential Election year.

Moreover, opinions of the administration were also divided. While many State Department officials viewed China's entry into the World Trade Organization as a concrete example of how the two powers can work together on economic disputes and hoped to reach an agreement in 1997, the United States Trade Representative's office tended to take a far more hawkish view. It insisted that China should take radical steps to open its economy on what it called "commercially meaningful terms."⁴⁹ The Government reported that the trade deficit with China rose in September to another record. The figure with China was \$4.73 billion and \$1 billion higher than the September deficit with Japan. For the second consecutive month and the third time in 1996, the deficit with China was the largest with any nations.⁵⁰ Therefore it appeared for the President that there weren't enough supporting political forces for his decision to let China in the trade club.

Indeed there were even suggestions that Clinton should not meet with Jiang alone at the APEC forum in Philippines because of human rights problems.⁵¹ Saying, "We're doing the right thing to have this meeting, Clinton refused the suggestions. Jiang responded saying to journalists that the timing of the meeting just after Clinton's reelection gave it special importance. They met at the Central Bank of Manila on November 25 in 1996. The two leaders, however, made little substantive progress, but agreed to exchange state visits over the next two years.⁵²

After the summit, however, the Chinese government became more active in

seeking its entry for the WTO. "They didn't think we were serious about it last year (1996) because of the election," a senior official of US government explained. "I think they now believe that we will not stand in the way of their entry to the W.T.O. on political grounds if their offer is sufficient."⁵³ Indeed, in late January 1997, China made a new offer to abandon many of its largest trade barriers. Among the list of concessions, there were such proposals as the gradual elimination of export requirement for foreign companies in China, the reduction of local content requirement levels, the scrapping of laws that bar many foreign companies from trading in China.⁵⁴

Despite the Presidential Election year was over, politics was, however, not entirely dissipated. On March 20, with two other leading Democrats, Representative Richard A. Gephardt of Missouri, the House minority leader, introduced legislation that would require a Congressional vote before the Administration could agree to let China join the World Trade Organization. Gephardt claimed, "There are enormous implications of how this is done, for every worker in America and every major company in America."⁵⁵ Here, not only human rights but also interests of labor unions were at stake. Labor unions have been concerned with possible flood of labor-intensive products from China after the WTO entry and its effects to job situation in the United States.

Republicans followed the Democrats' lead. The House Speaker, Newt Gingrich, warned on April 30 that China's favorable trading status depends upon how Beijing handles the British colony's transition to Chinese rule, that was scheduled in July. Indeed Economic statistics clearly indicates how Hong Kong is important. Hong Kong is the economic gate way to the unrivaled potential of the Chinese market. Already 40,000 Americans live there and more than 1,000 American companies employ about 10 percent of Hong Kong's work force. With 6.5 million people, Hong Kong is the world's eighth-largest trading economy and America's 11th-largest export market.⁵⁶

But what Gingrich and many other Congressmen in the United States had in mind was not simply concrete economic interests in Hong Kong. They have rather questioned how trustful a partner China could be in the international community. If Beijing did not live up to its commitments to preserve democracy, human rights and a market economy in Hong Kong, Gingrich said, "there would be serious long-term damage to our relations" and China's relation with the rest of the world.⁵⁷

To some extent, the Clinton administration, especially US Trade Representative office, shared with the Congressional leaders the idea to use the WTO entry as a diplomatic tool not only to improve the market access but also to enforce political and social change in China. In public, Washington cast demands in purely economic terms, declaring that China must join the WTO on "commercially acceptable terms" like every other nation. Mickey Kantor said when he left the post of Commerce Secretary. "In fact, we are using all of these tools to try to open up societies."⁵⁸ After having denied that there was any basis for allegations that the Clinton Administration's policies toward China had been influenced by Asian business contributions to the President's 1996 campaign, Laura D'Andrea Tyson, the President's former economic aid, wrote in New York Times that "China's admission to the World Trade Organization – on commercially acceptable conditions – probably our single most effective means of shaping more open market-oriented China."⁵⁹

Things, however, moved contrary to what Kantor, Tyson and others expected. Since the summer of 1997, many South East Asian nations fell into a contagious currency crisis and China became increasingly alarmed by its spreading pace. Vice Premier Zhu Rongji said on September 23 that he planned to move cautiously in opening the nation's markets and exposing its sclerotic state-owned enterprises to foreign competition. China Daily reported on the same day that Liu Jibin, Vice Minister of Finance, was backing away from any quick move to make the Chinese currency fully convertible into dollars, and vice versa. Liu was quoted as saying that

the Southeast Asia crisis had sent “a warning signal” to other developing nations about the dangers of surrendering control of the currency to speculators and investors.⁶⁰ Under the situation, President Jiang Zemin journeyed to the United States and the two Presidents met on October 29th. Unfortunately, despite it was the first state visit of a Chinese leader in a dozen years, they made little progress in narrowing differences over the terms for China’s entry into the World Trade Organization.⁶¹ The only tangible exception was that China made a purchasing order for 50 Boeing commercial airplanes for \$3 billion that would somewhat reduce US trade deficit with China. In fact, the spotlight was stolen from the summit conference by the gyrations in Southeast Asia and in China’s new special administrative zone, Hong Kong.⁶² At the press conference, the two leaders twice touched on the financial turmoil in Asia, and Jiang went to some lengths to argue that the underlying condition of Hong Kong was solid. The two Presidents agreed that Secretary of Treasury, Robert E. Rubin and Zhu Rongji should work together to “promote financial stability in Asia.”⁶³

The financial crisis continued in 1998 even the date of Clinton’s state visit to China approached. As for its macro policy, Treasury Secretary Robert E. Rubin praised China for maintaining the value of its currency and called it “an important island of stability” in a financially turbulent Asia.⁶⁴ But, when it came to trade policies and domestic economic reforms, China was not ready to make the changes necessary to join the World Trade Organization. Charlene Barshefsky, the United States Trade Representative, said so on June 20 after two days of talks with Chinese officials.⁶⁵ In addition to the Asian financial crisis, China was indeed in the midst of a politically risky revamping of state enterprises, which had raised unemployment. Some ministries and industries in what remains a largely state-run, bureaucratic economy worried about the rapid opening of ailing domestic industries to foreign competition, and an end to the monopoly positions of state-run commodity traders as well as banks, insurance companies and other service sectors.⁶⁶

Although China did not suffer as much as many Southeast Asian nations, the US Commerce Department reported that exports to China sharply slowed and imports of Chinese products exploded, as the country desperately sought to sell goods in the US that would ordinarily be sold elsewhere in Asia. According to the report, the US trade deficit in August widened to \$16.77 billion and surprisingly more than a third of the entire deficit was with China.⁶⁷ Since Chinese were in no mood to hurry the WTO agreement, during his nine-day state visit to China from late July, President Clinton could not do much but to reiterate in his address that “China’s economy still is burdened with complicated and overlapping barriers.” He cited the problems of inefficient state monopolies, weak legal and regulatory systems, wasteful and polluting energy patterns, corruption, closed markets and poor supervision of the nation’s banks. Clinton then said he hoped that Beijing would make the difficult decisions needed to bring China into the World Trade Organization.⁶⁸

For those decisions, China obviously needed time to wait until the passage of the Asian financial crisis. But, they knew they did not have time. On a bitterly cold day in Beijing in early January in 1999, Alan Greenspan, the chairman of the Federal Reserve, was given a startling message by Zhu Rongji, the Chinese Premier. Zhu said that China was finally ready to offer huge opening of its markets – in telecommunications, banking, insurance and agriculture – in return for getting the country into the World Trade Organization.⁶⁹ Soon the formal bilateral negotiation resumed soon and it culminated in Barshefsky’s visit to Beijing in early March. “The Chinese Government has exhibited a very serious attitude and strength of purpose that has helped to make this week particularly productive,” said the Trade Representative after her two-hour talk with Premier Zhu.⁷⁰ A senior researcher in the central Government’s Development and Research Center, Ji Chongwei explained the

background. "If China doesn't become a member before the Seattle meeting later this year; the issue will drag on for years."⁷¹ The next round of global trade talks is scheduled to open on November 30 in Seattle and it is believed that conditions for entry will be more tough at the new round.⁷² In addition, next year is a US Presidential Election year and candidates will vie each other in showing how tough they can treat China. Therefore, there was a possibility that China had intended to conclude the WTO agreement during the scheduled Premier Zhu's trip to the US in April. However, despite of high reputation as an economic reformer, Zhu was not quite welcomed in the United States.

On March 6, New York Times reported that American security officials believed that in the 1980's Chinese spies had learned the American design of an advanced, small nuclear warhead, used for hitting multiple targets with a single rocket.⁷³ Reflecting Congressional anger over the Chinese suspicion, Jesse Helms, a North Carolina Republican, and Ernest F. Hollings, a South Carolina Democrat, said they would move to stop any effort by the White House to help China become a member of the WTO.⁷⁴ Becoming concerned with assertions that China stole nuclear secrets, its questionable campaign contributions to President Clinton's 1996 re-election and worsening political repression in China, the Senate majority leader, Trent Lott said on April 7, "Letting China into the W.T.O. at this time shows how far this Administration is willing to go in an effort to salvage its failed policy of strategic partnership with China." Lott also argued that he was skeptical that even with its WTO entry, China would end what he said were its "predatory" trade practices.⁷⁵

After some hesitation whether he should postpone a visit, Premier Zhu Rongji determined to come to the United States. Although the Chinese Prime Minister showed his courage, his counterpart did not. President Clinton, who repeatedly made commercial diplomacy the centerpiece of his foreign policy, backed away. Distracted by Kosovo, he did not give clear instruction to his trade negotiators until very late in the talks about how much he wanted an agreement.⁷⁶ In the end, the WTO entry agreement was not reached between the two Governments. Some officials expressed fears that any deal involving China would further divide Democrats, enrage labor unions and end up in a huge battle on Capitol Hill that the President would most likely lose.⁷⁷ Zhu also blamed US domestic politics for his failure to seal an accord with President Clinton. ⁷⁸ A Hong Kong based newspaper, South China Morning Post, named a featuring article of the summit; "Beijing-bashers stopped pact."⁷⁹

But a strong pressure for the Clinton administration came from a different quarter. As details of the concessions by China became disclosed, business executives began a campaign of E-mails and phone calls about how to make Clinton quickly finish the accord. Then came the news of failure to reach a trade agreement. Many businessmen became furious. Maurice Greenberg, the chairman of the American International Group, complained to Treasury Secretary Rubin that the Administration "had missed the train."⁸⁰ When the White House set up a briefing about the trade deal, the Administration encountered what one participant called "a firestorm." Robert Kapp, the president of U.S.-China Business Council, nearly shouted Gene Sperling, the President's top economic adviser, that the White House had shrunk from a deal that would bring billions of dollars to American businesses, simply because it feared an ugly fight on Capitol Hill. Sperling urged patience, said the President would wait for the right deal and concluded, "we're all in agreement here."

"No we're not!" Mr. Kapp and several other executives yelled back.⁸¹

Conclusion

Most Asia-Pacific nations believe that the China's entry will promote *regional economic interests* and its inclusion for the trade body will make market-oriented

reforms of China irreversible. An important assumption here is that China will play by the rule once it was allowed to enter. The possibility of *external benefits* also played a significant role for making up the minds of Asia-Pacific nations. The China's participation, they maintain, will positively contribute to the regional security and enhance bargaining positions of the region's developing partners in their trade negotiations with China. In short, they perceive that the China's entry will bring a win-win situation and effects of its exclusion will be destructive for both China and Asian neighbors.

On the contrary, US, especially the Congress and the Trade Representative office, argued entirely in an opposite way. China should not be allowed, or at least wait to be a WTO member, because its economic practices are not rule and market-oriented enough. In addition, China is a security risk for the international community and Human rights infringements are terrible. Therefore, it can not be trusted as a partner of the international trade body. The WTO access should thus be fully used before, not after, the entry as a diplomatic means to promote democracy and economic reforms in China. They also believe that, unless China is changed sufficiently, its entry will disrupt the smooth flow of international trade and may even undermine the WTO completely because of its scale. A delegate for the International Chamber of Commerce's 35th Congress put the sentiment aptly, "When you go fishing you want to be sure that you don't catch a shark which will destroy your net."⁸² In short, our discussion clearly shows that perceptions of interests are entirely different between many Asia-Pacific nations and the United States.

The APEC forum has been an important instrument for providing four *occasions* and led to two more *opportunities* for bilateral summit conferences between President Clinton and President Jiang Zemin. But the research clarifies that providing opportunities was not enough. Each time they met, the two leaders were inescapably influenced by problem external of trade, namely a US visit of Lee Teng-hui, arrests of Chinese dissidents, China's missile exercise near Taiwan, the campaign contribution problem by Chinese businessmen, the 1996 Presidential Election, the reversion of Hong Kong. So called Beijing bashers in the United States mixed these issues with pure trade negotiations.

The Chinese piracy of intellectual property rights was a trade issue. But it also has deep relations with the social fabric of China and American perception of it. The currency and financial crisis since 1997 was an economic issue too, but, using the issue, China's old guard whose major power base includes state industries slowed down the liberalization of China's economy. In short, domestic politics, especially that of US, are major causes of delays. Indeed there has been a paradox between the necessity of top leaders' decisions because of an agreement of this scale and the inevitability of political influence to top leaders.

Concerning assisting actions for the China's entry by Asian-Pacific nations, especially those of Japan, there isn't any evidence in our limited research that the US government cared a great deal about them. In short, there weren't any peer pressure effects. Moreover there were no traces that the US saw the issue through the eyes of regionalism. Here, we see a negative side of a theory, which claims that, a hegemon is often needed to establish a regime. That is that a hegemon can any time obstruct building of a regional regime. If Asia-Pacific regionalism is not an illusion, it at least takes a lot of time, sweat and maybe blood too.

Anyhow China's long march to the world trade system still continues.

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