

U.S.-China WTO agreement is the wrong breakthrough

by Jonathan Tennenbaum

On Nov. 15, after some 13 years of negotiations, the United States and China signed a bilateral agreement paving the way for China's entry into the World Trade Organization (WTO). The hard-won agreement was hailed as an historic breakthrough by U.S. President Clinton and China's President Jiang Zemin. Assuming that the agreement is ratified by the U.S. Congress, which cannot be regarded as certain, what has been officially *perceived* as a major stumbling-block to improving relations between the two countries, would appear to have been cleared away. The breakthrough occurred thanks to the repeated personal intervention of U.S. President Clinton and top Chinese leaders Jiang Zemin and Prime Minister Zhu Rongji.

It is too early to pass judgment on the full economic and other implications of the WTO agreement, whose explicit and implicit "fine print" is not publicly known. Whether the agreement is actually a good thing for either country — which is more than doubtful — the signing itself, after so many years of irritation, at least attests to the good intentions of both Presidents, that U.S.-China relations should truly advance, that the last vestiges of China's erstwhile isolation should be eliminated, and that China should be fully integrated into the "world community." Undoubtedly, the leaders intend that the agreement should make it more difficult for the enemies of China, and of a U.S.-China partnership, to drive wedges between the two countries, and eventually, even to provoke a direct military conflict. Unfortunately, good intentions alone are not sufficient.

Life-and-death issue not addressed

From all indications, the U.S.-China negotiations have utterly failed to address the real, life-and-death issue con-

fronting the two countries. That issue is emphatically not China's membership or non-membership in the WTO, nor any of the particulars of this or that advantage or concession, which have so much occupied the energies of both sides in the long course of the negotiations.

Unless the present course of world events is radically changed, neither the United States nor China, nor any of the other remaining nation-states of this planet, have much chance of surviving beyond the early years of the coming century. Not only do we face the imminent prospect of an uncontrolled disintegration of the entire global financial system, plunging the world into economic and social chaos, but the British-centered oligarchical forces, responsible for orchestrating two world wars in this century, are currently feeding the fires of a new, generalized global conflagration from which civilization as we know it might not emerge for many decades ahead.

Emergency action needed

For this reason, Lyndon LaRouche has insisted on the absolute necessity, that the President of the United States urgently convene an emergency gathering among a suitable group of nations, *including China at the top of the list*, for the purpose of initiating the bankruptcy reorganization of the global financial system, and launching an era of dirigistic, infrastructure-based, economic reconstruction and technological modernization of the entire world economy. Only the leaders of such a group of nations, acting in community of principle, could defeat the London-centered oligarchical force which is now positioning itself to rule over a projected neo-feudalist dark age, built on the ruins of the world's nation-states.



President Bill Clinton and Chinese President Jiang Zemin, in Beijing on June 27, 1998. Despite their personal commitment to good U.S.-China relations, only implementation of a New Bretton Woods system will provide the basis for their desire for better relations to succeed.

That context, and nothing less, now defines the immediate, life-or-death mission of a U.S.-China strategic partnership. It also highlights the tragic inadequacy, at best, of the recent display of good intentions between Clinton and the Chinese leadership in connection with the WTO negotiations.

Let us hope, on an optimistic note, that the two sides will exploit the margin of trust which may have been established in the process, to now address the *real* issues identified by LaRouche. Let us hope that the agreement will not become a “suicide pact,” chaining the future of U.S.-China relations to policies of financial globalization and free trade that imply the eventual destruction of *both* nations.

One should have no illusions. The attempt by the financial oligarchy, with the help of foolish governments and institutions, to maintain the hopelessly bankrupt world financial system at all costs—including the cancerous “derivatives bubble” of more than \$300 trillion—has generated incredible pressures within the system. This is driving a mad search for any possible means to expand the income flows upon which the whole vast pyramid depends. But the capacity of the nations, already fully digested into the “globaliza-

tion” process, to sustain even the current rates of looting, has come to an end. So, feverish eyes are set on China, as the last great chunk of “fuel” which might be consumed to keep the bubble going a while longer.

So far, Chinese government policies have blocked the direct financial looting of the country. But with the WTO agreement, and the projected major expansion of activities of foreign insurance and banking conglomerates in China, the pressure will drastically increase, for China to eliminate capital controls, and carry out other “reforms” which would provide access to the savings and accumulated wealth of 1.2 billion people. The dangers of that are clearly recognized in Beijing and elsewhere, but they remain nonetheless.

China’s pragmatism

At first glance, China’s decision to enter a WTO strongly vectored toward globalization and free trade, would seem incompatible with the commitment, shown by its leadership, to pursue a *sovereign* policy of national economic development. It would be an error, however, to jump to conclusions concerning a supposed Chinese acquiescence to policies clearly recognized as instruments for looting and destroying

the developing nations. There are complex pressures shaping the tactical approach of the Chinese leadership toward the WTO—the only major international organization of which China is still not a member.

Often cited by Chinese observers, is the yearning for relief from the yearly torture of the U.S. Congress's vote on Most Favored Nation trade status, and the hope that WTO membership will provide at least a partial degree of protection against unilateral sanctions and discrimination by the United States or other nations, shifting such conflicts from the domain of direct political confrontation, into a supposedly more objective international forum. Furthermore, the Chinese leadership has carefully considered the risks and vulnerabilities embodied in the new agreement, and the dirigistic means it might employ to counteract them, as well as some potential tactical advantages.

Thus, many Chinese experts calculate that strong government control over domestic agricultural markets will prevent a potentially catastrophic collapse of farmers' income as a result of food imports. They believe that China has essentially succeeded, in the negotiations, in upholding its demand for the status of a developing country in the WTO—and thereby reserves the right to adopt certain types of protectionist measures.

On the other hand, Zhu Rongji and others view introducing a certain controlled dosage of competitive pressure, through a regulated foreign access to China's markets, as a positive instrument for overcoming the bureaucratic inertia and passivity which plague much of the state sector. The painful overcapacity in the Chinese textile sector, for example, and the prospect of opening up further outlets for these and other goods which are presently glutting the deflation-plagued Chinese market, is another consideration.

Not to be underestimated, at the same time, is the corrupting influence of the free-trade lobby inside China itself, concentrated especially in the coastal provinces, which has not grown weaker with the "return" of Britain's longtime Chinese asset, Hong Kong.

Also not to be underestimated, is the strength of forces within China, which demand an opposite, strongly protectionist course.

British 'globalization'

Apart from these complex and conflicting pressures, however, leading circles in Beijing are broadly aware of the fact, that globalization is essentially just another word for a revival of the free-trade policies of the British Empire, and that the emergence of the WTO is inseparable from that process. It is recognized that China would today be in the same disastrous condition as most so-called developing countries, if the government had not insisted on "national economic sovereignty" and "national economic security" in the face of massive pressure for financial globalization.

Not accidentally, China has been a major behind-the-

scenes supporter of Malaysia's Prime Minister Dr. Mahathir bin Mohamad in his polemical battle against the financial oligarchy. China's continued growth, in spite of the so-called Asian financial crisis and enormous internal difficulties, would have been impossible, if not for the Chinese government's refusal to eliminate currency controls, its insistence on the right to employ protectionist and other dirigistic measures to foster domestic production, its policy for basic food self-sufficiency, and, not least of all, the massive state investments into infrastructure and related development.

Beyond this, President Jiang Zemin has repeatedly emphasized that the present world economic and financial order is fundamentally unjust and destructive of the interests of developing countries generally, and has called for the creation of a new global financial system and a just world economic order. In essence, if not in detail, the Chinese government is in public accord with the basic concept of a "New Bretton Woods" system as put forward by Lyndon LaRouche.

Who will take the initiative?

The problem is: Who will take the actual initiative, beyond merely expressing good will, to make that a reality? There is no evidence, so far, that the Chinese leadership, burdened as it is by the immense problems of a 1.2 billion population emerging from a long feudal past, is subjectively or objectively prepared to assume that degree of world leadership at this time. The initiative can only come from the United States, which is where the whole dilemma lies.

In this situation, senior Chinese observers have stressed to *EIR* the overriding *political* character of the Chinese leadership's decision to push the WTO negotiations with the United States to a conclusion now—even at the cost of risky compromises in terms of the highly complicated domestic situation in China. There is no mystery here.

The Chinese leadership knows, that the ongoing anti-China campaign in the United States and elsewhere is being orchestrated by forces who are committed to the destruction of China. The Chinese evidently hope, that by making certain compromises, they will be able to gain time, and weaken the assault against them, playing on the enormous commercial interests at stake in expanding China trade. At the same time, they are hoping that the U.S. President will be able to block or restrain at least the most destructive operations being orchestrated through such agencies as Sen. Jesse Helms (R-N.C.), the Republican Congress, U.S. Secretary of State Madeleine Albright, and sections of the U.S. military.

Will this defensive tactic work? Or will the enemies of both China and the U.S. Presidency simply exploit the tragic tendency on both sides to go for pragmatic compromises instead of addressing the real issue, and escalate the attack? Survival will need more than mere good intentions. It requires the kind of leadership which only Lyndon LaRouche has demonstrated the will, and ability, to provide.