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Remarks to the Business Council
William J Clinton

Thank you, Ralph, and good morning. I want to begin by asking if the microphone's too loud, so-can we turn it down just a little bit? That's good. I'm delighted to be here. I know you just had a good panel on the economy. And I wanted to talk mostly about China today, but I would like to mention just a couple of other matters very briefly.

First of all, you've already talked in some detail about the question of how to keep the economy going. And I don't have much to add to what I'm sure Secretary Summers said, except I would like to just make three points very briefly. Number one, I think it is terribly important that we continue to pay the debt down and for reasons that you understand. But it's an enormous hedge against the necessary borrowing by business to continue to invest and continue to grow. And whatever the Fed does, the interest rate structure will be lower than it otherwise would be, not only now but for, perhaps, decades in the future. So I think it is a critically important thing. And I think it's important that people understand this. I've seen all kinds of articles in the papers saying I've adopted Coolidge economics, but I don't think so. We're continuing to invest robustly in our people and our future. But I think it's important.

The second point I want to make is, I think it is even more important that we continue to invest in the education and skills of our people. A lot of you are heavily involved in trying to make our elementary and secondary schools better. We have a proposal now before the Congress to make college tuition tax deductible, which would functionally open the doors of 4 years of college to every American, with the other increases we've made in the Pell grants and other things. But I think we need to do more on this, particularly with people who are already in their young adult years who are out there and not either employed or are underemployed. I think that's important.

And the third thing I would say is, many of you have helped us on this new markets initiative, but I hope all of you will. Some of you have been involved in OUT Welfare to Work Partnership, which has 12,000 companies now and has hired hundreds of thousands of people from welfare to work. And reports indicate that they're doing quite well.

But I think when you consider the fact that telecommunications, among other things, enables us to bring economic opportunities to rural areas-and in the worse case, some of our Indian reservations still have unemployment rates that are around 70 percent-- there are

real opportunities there for noninflationary growth if we can figure out how to do it. I don't want to minimize the risk. I'm trying to get Congress to pass some legislation that would give significant tax credits to minimize the risk of private sector investment in these areas, but I think they are profoundly important.

And as I said, I know a lot of you have been involved in this already, but this is the only chance we've had, I think, in my adult lifetime to genuinely bring free enterprise to people in places that have been left behind. And it's an opportunity I think we ought to take, and I also think it would be good for the overall economy.

Now, I want to talk a little about China today, because I think it is the most important question that the Congress will take up in the first half of this year. And I realize that in many ways, I may be preaching to the choir, but I think it's important that we all understand not that this is a good thing to do but that -it is an essential thing to do.

For 30 years now, every single President, without regard to party, has worked for the emergence of a China that contributes to the stability, not the instability, of Asia; that is open to our products and to our businesses; that allows people access to ideas and information there; that upholds the rule of law at home and adheres to the rule of law around the world.

We have a big stake in how China evolves. We have, after all, fought three wars in Asia in the 20th century. And the path China takes to the future will either eliminate or cast a great shadow far beyond its borders. I think we all know that. Therefore, it is clear that the more we can promote peace and stability in Asia by helping the right kind of China to develop, the more America's interests and values will be served.

The WTO agreement with China helps to advance all these goals in unprecedented ways. It's the kind of opportunity that comes along once in a generation. If we seize it, a generation from now people will wonder why the debate was hard at all. If we don't, we'll be regretting it for a generation.

I don't think there's any question that this is in America's economic interests. The agreement requires China to open its markets on everything from agriculture to manufacturing to high-tech products. All we do is simply agree to maintain market access already given to China. For the first time, our companies will be able to sell and distribute in China products made by American workers here at home. It strengthens our response to unfair and market-distorting trade from China, from import surges to forced technology transfers to protection of intellectual property.

One of the things I am quite sure that many Members of Congress still do not know is that this agreement actually contains bilateral protections that we don't now have to deal with problems like import surges, and it's important that they know that.

if you think about what this agreement could mean to our economy, we could start with agriculture. From corn to wheat to barley, tariffs are cut by two-thirds, and our farmers get full access to a fifth of the world's population. It's little wonder that the pay stubs at the Farmland Institute read, and I quote, "China will account for nearly 40 percent of the future growth of American agricultural products."

With regard to our telecommunications industry, those of you in that business know that China has the largest potential market in the world, and only 5 percent of it has been tapped. This agreement will allow our firms, which are already leading the world, access to the other 95 percent.

With regard to the auto industry, tariffs will fall by nearly 75 percent. The requirement that we rely on Chinese distribution is eliminated, as is the requirement that we have to transfer our technology, I think a very important advance secured by Ambassador Barshefsky and Mr. Sperling in this agreement.

For the first time, American manufacturers will be able to sell American-made cars in China, to set up their own distribution centers, to run their own service shops, to provide their own financing to consumers. That means we'll sell more American cars and auto parts there and have more jobs here at home.

Most Members of Congress don't question the economic benefits. Critics are more likely to say things like this: "China is a growing threat to Taiwan and other neighbors. We shouldn't strengthen it." "China is a drag on labor and environmental market rights, and if you put them in the WTO, they will block further progress on those issues." Or, "China is an offender of human rights, and we shouldn't reward it." Or, "China is a dangerous proliferator. We shouldn't empower it."

Now, all these concerns, I believe, are legitimate. The question is whether they will be advanced or undermined by the decision Congress will make and America will make on letting China into the WTO. I believe to set this up as a choice between economic rights and human rights or economic security and national security is a false choice. I believe that this agreement is vital to our national security and that every single concern we have will grow greater and the problems will be worse if we do not bring China into the WTO. So I believe this agreement promotes not only the economic interests of the United States but progress toward positive change in other areas in China.

For the past 20 years, China has made progress in building a new economy. It's lifted more than 200 million people out of absolute poverty. It's linking so many people through its wireless communication network that it's adding the equivalent of a new Baby Bell every year. But the system still is plagued by corruption. Less than one-third of the economy is private enterprise. The work force, meanwhile, is increasing by about 12 million a year. At least 100 million people in China are still looking for work, and economic growth has slowed just when it needs to be rising.

So the leaders of China actually face quite a dilemma in making this decision to go for Vv'TO membership. They realize that if they open their markets to global competition, they risk unleashing forces that are beyond their control: unemployment, social unrest, demands for political freedom. This is a big decision in a country that time and again has suffered more from internal chaos and disintegration than from external threat.

But they have concluded that without competition from the outside, China will simply not be able to attract the investment or build the world-class industries they need to thrive in a global economy. So with this agreement, Chinese leaders have chosen to embrace change. They are highly intelligent people. They know exactly what they're doing, and they're prepared to take a risk that will require them to change as well.

So the real question for America is, now that they have decided to take their risk, do we want to walk away from our decision? Do we want to risk a total rejection of the profound decision and choice they have made? I think it would be a terrible mistake. We need to embrace their decision, not only for our own interests but for the long-term interests of the world.

The WTO agreement advances our interests by encouraging China to meet, not muzzle, the growing demands of people for openness. Rather than working from the outside in, it will work from the inside out, as all profound change has to do.

Let me just make a few points about this. First, having China in a rule-based system increases the likelihood that China will follow the rules of the road in terms of the international economy. Under this agreement, for the first time, some of China's most important decisions will be subject to the review of an international body. It means China is conceding that governments cannot behave arbitrarily at home and abroad, that their actions are subject to international rules.

Opponents say that doesn't matter, because China will just break its promises. But if that were to happen, our differences can no

longer be ascribed to U.S. bullying. This time it will be 135 nations making collective judgment. Look, nobody agrees with the WTO all the time. I don't agree with their FSC decision. I presume most of you don't. And we'll have to work with Congress to try to figure out whether there is a WTO-consistent way for us to continue to play on a level playing field. But having a system of rules is, nonetheless, profoundly important.

Second, the agreement will obligate China to deepen its market reforms and intensify the process of change. A decade ago, China's best and brightest college graduates sought jobs in the Government and large, stateowned firms or universities. More and more now, they're starting their own companies or choosing to work for foreign-invested companies where, generally, they get higher pay, a better work environment, and a chance to get ahead based on merit, not politics. That process will also accelerate if China joins the WTO.

Third, this agreement has the potential to help open China's society in noneconomic ways. In the past, virtually every Chinese citizen woke up in the morning in an apartment or house owned by the Government, went to work in a factory or farm run by the Government, read newspapers written by the Government. The state-owned workplaces operated the schools where they sent their children, clinics where they got health care, the stores where they bought food. The system was a big source of the Communist Partys power. The meager benefits provided were a big Source of the loyalty it commanded.

Now, with lower tariffs and greater competition, China's state sector will shrink, the private sector will expand. In that way, the WTO will speed a process that is removing Government from vast areas of people's lives. It will also increase access to communications dramatically.

A year ago, China had 2 million Internet addresses. Now it has 9 million. The agreement will bring the information revolution to cities and towns all across that vast nation it hasn't reached yet. And as the Chinese people see how the world lives, they will seek a greater voice in shaping their own lives. in the end, China will learn what people all over the world are now learning: You can't expect people to be innovative economically while beinz stifled politically.

Bringing China into the WTO doesn't guarantee, of course, that it will choose a path of political reform, but by accelerating the process of economic change, it will force China to confront the choice sooner in ways that are more powerful, maling the imperative, I believe, the right decision.

Of course, bringing China into the WTO is not, by itself, a human

rights policy or a political rights policy for the United States. The reality is that China continues today to suppress voices of those who challenge the rule of the Communist Party. It will change only by a combination of internal pressure for change and external validation of the human rights struggle. So we must maintain our leadership in the latter even if the WTO agreement contributes to the former.

That's why we sanctioned China as a country of particular concern under the International Religious Freedom Act last year, why we're once again sponsoring a resolution at the U.N. Human Rights Commission condemning human rights abuses there. We'll continue to press China to respect global norms on nonproliferation, and we'll continue to reject the use of force as a means to resolve the Taiwan question. We'll also continue to make absolutely clear that the issues between Beijing and Taiwan must be resolved peacefully and with the assent of the people of Taiwan.

We must not, and we cannot, rely solely on the invisible hand of the market to do all our heavy lifting in China and neither should the private sector. For all of us, including the business community, permanent NTR must mean a permanent commitment to positive change in China.

But to even get that opportunity, we've first got to sell this agreement to the Congress, and we can't underestimate how hard it will be. I want you to know that 1 will push as hard as I can to secure agreement as quickly as possible. I made that clear in the State of the Union Address, in my press conference at Davos. Last week I started meeting with Members of Congress, and those meetings are continuing. You will get a fullcourt press from our administration, ably led by Secretary Daley.

Now, I know you realize the stakes here. If China doesn't approve permanent normal trading relations, we risk losing the full benefits of China's WTO membership. In a global market economy, your companies would be shut off from a fifth of the world, while your European, Japanese, and other competitors would take advantage of the benefits we went to the trouble to negotiate. Failure would also send a signal to the world that America is turning inward. It would be, I believe, a devastating setback to our vision for the future.

Now, I think it's important that we be honest with the Congress and the country on one thing. We don't know-you don't know and I don't know what choices China will make over the next decade. We can't control the choices they make, but we can control the choice we make; that's all we can do. And all my experience, not only as President in dealing with China, but as a person who has lived more than half a century in dealing with human nature, indicates that this is a time for the outstretched hand in constructive partnership.

And I believe--I will say again--if we pass this up, we will regret it for a generation. And all of our successors and interests will be paying a price far greater than economic, because of our rejection. We cannot allow this effort to fail.

We face a choice between a Chinese market open to American products and services or closed to us--and only to us; between speeding the opening of China's economy or turning our backs; between a China that is on the inside of an international system looking out or on the outside looking in.

Let me just make one other comment about this. Some of our friends in the labor community, with whom I have great sympathy, say that, well, if you put China in the WTO, it will make it even harder for legitimate labor and environmental issues to be raised, because we know where they stand. Look, I just went to Seattle and met with the people in the WTO. That's a hard sell no matter who's there, and it won't change substantially if China's there. That's just not a vital argument, given where all the other countries are. That is not accurate.

A lot of you don't even agree with me on that, but I can just tell you, whether you agree or not, the membership of China in or outside the WTO, given the perceived interest of the other developing countries that are going to be in the WTO on these issues, will not materially change what the WTO does on that over the next decade. I feel very strongly about that.

So we've got a simple choice to make. And the first thing we have to do is to make it clear that there will be a vote on this, and that we want the vote as quickly as possible. And no one should take a pass.

I know that--I met with a lot of Republican members who were very concerned about the religious liberty issue. I can just say--a lot of you may know this--but the religious groups with whom I have met, who have been involved in China for years, who have been doing their missionary work there for years, are overwhelmingly in favor of this. The forces that genuinely and sincerely advocate religious freedom and then oppose this agreement are overwhelmingly people who have not been involved in China, with the Chinese, seeing bow the society works.

So I really believe this is a choice for America between fear and hope. They made a decision, and anybody who understands anything about Chinese history knows that these people are very deliberate, highly intelligent, and aware of the consequences of the decision they have made. And they have decided to bear the risks of becoming part of a more open society. They know it will require them to change in ways that they have not yet come to terms with.

We have the strongest economy we have ever had. We are the world's only superpower, and whenever we walk away from an opportunity to lead the world toward greater integration and cooperation, as I believe we did with the Comprehensive Test Ban Treaty, we bear a particular responsibility for future adverse consequences.

So I ask you to help me with Members of the Congress, without regard to party, based on the national interest, the clear economics, and going beyond the economics. This is a profoundly significant decision for the United States. It will affect our grandchildren's lives, and we dare not make the wrong decision.

Together, we can make sure it comes out all right. You can help us pass this, but it can't be a casual effort. It's not going to be a casual effort with me, and it can't be with you. And even if your companies don't have any direct stake in this, as an American you have a huge stake in it. As a citizen of the world--and most of your companies are citizens of the world--you have a huge stake in it. I'll do whatever I can. I implore you to do the same. And we'll have a good time at the signing ceremony.

Thank you very much.

NOTE: The President spoke at 11:45 a.m. at the Park Hyatt. In his remarks, he referred to Ralph S. Larsen, chair, Business Council. The President also referred to FSC, the foreign sales corporation provision of U.S. tax law.