

State's Larson Sees Full Role for China in WTO Talks

(September 28 "Dialogue" program with Shanghai)

China's entry into the World Trade Organization (WTO) "is a very important milestone, both for China and the international trading system," according to Under Secretary of State for Economic, Business and Agricultural Affairs Alan Larson.

In a September 28 "Dialogue" program with Shanghai organized by the State Department's Office of Broadcast Services, Larson said the United States has "worked for many years to facilitate China's entry in the World Trade Organization."

That work continued even after the terror attacks on the United States September 11, he added.

U.S. officials, with their counterparts from other WTO member states, kept working in Geneva on the final steps for China's accession to the trading organization, Larson told his Chinese audience.

China will benefit from its entry into the WTO, Larson said, as Beijing will begin to apply to its economy "the basic rules of international trade and the rule of law."

China's many trading partners in the WTO will also gain from having "such a large and important and quickly-growing economy as a full member of the global trading system," he said.

According to Larson, the United States believes that "it is important for China to be a full participant in the international community, and to be involved in all of the rules based organizations and arrangements that exist in the world today."

Regarding calls for a new round of trade negotiations and China's role in such talks, Larson said, China, as a member of the WTO, "will be a full participant in the negotiation of those new commitments and those new rules."

The United States looks forward "to working with China on the implementation of the new round," he added.

Following is a transcript of the event:

(begin transcript)

"DIALOGUE"
UNITED STATES DEPARTMENT OF STATE
Office of Broadcast Services, Washington, D.C.

GUEST: Ambassador Alan Larson, Under Secretary of State for
Economic, Business and Agricultural Affairs

TOPIC: WTO Issues and China

POST: Shanghai

DATE: September 28, 2001
TIME: 07:25 - 07:45 EDT

Q: Hello, Mr. Larson, this is Kathy with Shanghai News. I feel very pleased to take this opportunity to learn your views on some hot topics. Here's the first question for you. China and its major trading partners reached a formal agreement on membership of WTO after years in negotiations. It is also regarded as a milestone in the march towards globalization. (Technical difficulties.)

Mr. Larson, here's the first question for you. China and its major trading partners reached a formal agreement on the membership of the WTO after years in negotiations. It is also regarded as a milestone in the march of globalization. What does China's WTO membership mean to the U.S.?

AMB. LARSON: I think China's membership in the WTO is a very important milestone, both for China and the international trading system. We have worked hard for many years in the United States to facilitate China's entry in the World Trade Organization. And even after the very difficult events of the terrorist attacks of September 11, we were working hard in Geneva with other countries to take the final steps towards China's accession to the WTO.

Q: Well, how do you evaluate China's status in the world trading system after the country joins the WTO?

AMB. LARSON: China is a very large and growing economy in the world. It has much to contribute to the international trading system, and it also has much to gain from that trading system. I think as a member of the WTO China will benefit from having applied to its economy the basic rules of international trade and the rule of law. At the same time, I think that the

international trading system will benefit from having such a large and important and quickly-growing economy as a full member of the global trading system.

Q: What business opportunities will China's entry into WTO create for American small and medium enterprises?

AMB. LARSON: As a commercial matter, I think China's entry into the WTO will create opportunities for exporting nations around the world to sell more of their products -- agricultural products, manufactured products -- and to introduce efficient service industries into China.

At the same time, I think the United States feels it benefits more generally from having a country like China as a member of a rules-based international organization. We believe that it is important for China to be a full participant in the international community, and to be involved in all of the rules based organizations and arrangements that exist in the world today.

Q: The world economy witnessed an economic slowdown in the U.S., and some Asian countries are -- (inaudible) -- economic difficulties. Could this year's Asia gathering generate -- (inaudible) -- tackle those economic problems?

AMB. LARSON: Certainly the world economy is going through a more difficult year than we have experienced in the recent past. There's been a slowdown in the United States, as well as a slowdown throughout much of Asia and parts of Europe. I think that the fundamentals of the U.S. economy remain strong and the Bush administration has taken a number of significant measures to strengthen the performance of our economy. I am confident that by the end of the year we will see the U.S. economy bouncing back.

Q: The Federal Reserve has cut the U.S. interest rates eight times so far this year. Despite the cuts, the economy has shown little sign of recovery. What do you think -- will the U.S. economy be able to avoid a recession?

AMB. LARSON: The response of a market economy to interest rate cuts sometimes take a little -- it takes a little time for that to materialize. At the same time, the administration's tax cuts have just begun to be felt by families across America. In fact, checks that represent the tax cuts are being received even just now. So I think that it will take a little while to see what the response to the economy is from the measures already taken. And there are additional measures that are likely to be taken over the next month. So I think it's too soon to say whether we will have simply a slowdown, but without an actual decline in output, or whether we will have a slight decline in output. But in either case, I am anticipating a bounce-back in the performance of the U.S. economy certainly by the end of this calendar year.

Q: Finally, some Asian countries are heavily dependent on the U.S. economy.

How do you foresee the economic growth in those Asian countries?

AMB. LARSON: I think that it's -- as I said earlier, I think that there has been a slowdown in many countries all around the world. I was very pleased to see that the International Monetary Fund recently came out with a report predicting a speed-up in growth for 2002.

What I think is very important is for all of us to work together to make sure that the basic fundamental policies that will make it possible for economies to grow are put in place. That's one of the subjects that our leaders will be talking about when they come to Shanghai for the meeting of the Asia-Pacific Economic Council in October.

Q: Thank you very much, Mr. Larson, for your time.

Q. What are the prospects for a new trade round?

AMB. LARSON: I think the prospects for a new round are improving, and I think it's very important that that new round get launched this year. We -- the world economy does need a boost in confidence. I think it's very important for all of the countries in the trading system to show that we are going to move forward with a process of expanding trade and reducing barriers to trade. It's particularly important for developing countries, because I think they will be the big beneficiaries of this new round of trade negotiations.

Q. What do you foresee as China's role in negotiations as part of a new trade round?

Well, China, as a member of the WTO, China will be a full participant in the negotiation of those new commitments and those new rules. And so we look forward to working with China on the implementation of the new round.

Q: Hello, Mr. Under Secretary of State Larson. We are pleased to have a chance to speak with you. What happened with the September 11th attack is a tragedy, not only to the U.S. but also to Taiwan. And the world economy feels the effects. So my first question is that after the terrorist bombing and the serious blow to the economy, how will this affect trade between the U.S. and Taiwan? Thank you.

AMB. LARSON: I think we all have a very important stake in making sure that the attack on the World Trade Center is not successful. It is important to recognize, as you said, that it really was an attack on democracy. It was an attack on civilization. It was an attack on the global economy. And that means our response must be that we will continue steadfastly in pursuit of expansion of trade and a reduction of trade barriers in the launch of a new round. And that certainly is what our policy is going to be.

Q: (Off mike) -- in particular, how will it affect the high-tech industry

in the States in terms of import of semiconductors and high-tech products from Taiwan in the first quarter of this year?

AMB. LARSON: The slowdown in the U.S. economy that I described began about a year ago, and I think we have seen that effect. The growth rates of high technology industries and the rate of imports by the United States of products that go into high technology industries. So that is something that will be affected by the timing and the pace of the U.S. bounce-back. My own conviction is that that bounce-back will be occurring fairly soon, and that one will begin to see the effects of that on trading patterns as we move into next year.

What is really important is that we reestablish a sense of confidence in the global economy. It's very important that even as we cooperate on a whole range of issues to combat the scourge of terrorism that we also get on with our economic lives, and that we continue to do the things -- make the investments that have made our economy strong and that can build a better economic future for our countries.

Q: But as a consequence of the nature of the September 11 attacks, the global flow of human beings and goods were greatly diminished. This will certainly affect free trade around the world. And how will the WTO cope with this?

AMB. LARSON: I'm not sure -- I'd like to ask you to repeat that question, because I am not sure I captured the gist of it.

Q: Okay. As a consequence of the nature of the September 11th attack, the global flow of human beings and goods were greatly diminished. This will certainly affect free trade around the world. How will the WTO cope with this?

AMB. LARSON: Well, again, I think that the only response that we could possibly have in the trading system to the terrorist attack of September 11th is to press ahead with the agenda we have set out for us. We can't turn back. We can't allow ourselves to become fearful. We can't allow ourselves to become protectionist or isolationist. We have to work together. We have to work together on the sort of police and law enforcement and information exchange that will allow us track down and capture and disrupt these terrorists. But we also have to cooperate more together on the things that make our families more prosperous. And that means bringing up trade and finding ways to expand trade. So we simply have to continue with that agenda.

Q: And after the attack, President Bush has requested assistance from American allies, and -- (inaudible) -- coalition including -- center around NATO and Middle Eastern allies. Do you think that President Bush will come to Shanghai for the APEC next month? What will be on his (agenda ?) when he meets with Asia-Pacific leaders?

AMB. LARSON: I am sure the president will be looking for support from Asia-Pacific leaders for this fight against terrorism. It is something that is going to require in-depth cooperation on a whole range of issues. Just this week President Bush issued an executive order that strengthens our capacity to track down money that is funneled to terrorists to commit terrorist acts. We are going to take strong measures to try to control that financial flow. But we can't do that alone. We are going to need help from countries all over the world to make sure that there are not easy channels for financing terrorist activities. That's just one example. I think there are other examples in the area of law enforcement cooperation and exchange of information. So we will be looking for help from friends all around the world, and we know that terrorism is a global threat. The most recent major attack was on facilities and people in the United States, and it was one of the largest attacks in the history of the world. But this is not an attack only on the United States. It could just have easily been directed against citizens of other countries. And even at the World Trade Center, citizens of more than 80 countries were killed by that attack. So we need to recognize that this is an assault on civilization, it is an assault on the international community and all the participants in the international community need to be a part of striking back against it.

Q: My last question is on Taiwan -- and I know that a lot of Taiwan people want to know that in the -- (inaudible) -- built a coalition against terrorism, what do you hope from Taiwan? Thank you.

AMB. LARSON: Well, I think those conversations will take place between other people in my government and the appropriate authorities. I think what's important here is to stress, on this program that's devoted to trade, is that we are looking forward to the accession of the PRC and Taiwan, both entities were endorsed for membership in the World Trade Organization at the meeting in Geneva last week, and it's our anticipation that both will become members of the WTO in November. And I think that's a very important milestone.

I really want to thank you all for your comments and questions. We regret that it was a little late coming on the air, but we have found this very useful. I hope you have as well. And I must say on a personal note that I am looking forward very much to coming to Shanghai in a few weeks for the APEC meeting. So thank you, and good evening.

Q: Thank you very much. Is there anything you would like to add?

AMB. LARSON: I think our questioners gave us the opportunity to say everything that we need to say. I think we all feel that this is a critical moment. It's certainly an important moment for the trading system to have the People's Republic of China and Taiwan entering the WTO. It's a critical moment for the WTO to show leadership by launching a new round of trade-expanding negotiations. It's also an important moment for the

international community to band together, to cooperate, to defeat the scourge of terrorism. I hope that all of our listeners will join us in all of those endeavors, both on trade as well as on the fight against terrorism. So thank you.

(end transcript)

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