

China must play by 'free trade' rules

by Sir Leon Brittan

The following remarks by the Rt. Hon. Sir Leon Brittan, vice president of the European Commission, were delivered in Beijing, on May 7 under the title, "Economic Development along the Euro-Asia Continental Bridge."

The European Commission is pleased to be able to support this important symposium, and I am grateful to our chairman, Mr. Song Jian, for inviting me to take part. The task of creating an adequate infrastructure for cooperation between Asia and Europe is indeed immense. At the end of the century of space travel and space age telecommunications, it is perhaps ironic that we are struggling to recreate something of the land-based connection that existed 500 years ago. But if we can recreate them, with the full benefits of modern technology, the stimulus to growth and well-being in China and in the European Union will more than justify our efforts.

Asia-Europe cooperation

This symposium has been carefully planned over a long period. But like all the best projects, it has come to fruition at exactly the right time, just eight weeks after the historic Asia Europe Meeting [ASEM] that was held in Bangkok in March. Heads of state and government from China, the European Commission, the European Union member states, and a large number of other East Asian countries met to give their personal commitment to the strengthening of ties between our two regions.

The dialogue in Bangkok was concrete and constructive. We have agreed a forward program: There will be not only further meetings at the highest level, but a wide range of follow-up actions to be implemented in the interim by ministers and senior officials. Unlike APEC [Asia Pacific Economic Cooperation forum], which concentrates on economic issues, ASEM deliberately covered both economic and political issues, and follow-up will be the responsibility both of economic and of foreign ministers.

What is the relevance of the Bangkok platform to the objectives of this conference? I am not suggesting that every country along the continental bridge must participate in ASEM, if ASEM is to be useful. But the fact that countries at both ends of the bridge are turning their attention at the highest level to closer cooperation suggests that there is a real need

for the connections which this symposium is setting out to build. It is therefore not by accident that the Bangkok meeting referred in positive terms to both the concept of multicountry economic development strategies within the Asia region, for example, in the Mekong region, and the need to study the prospects for land connections between the two ends of our continent.

The political will is there. But what needs to be done? This symposium is rightly focusing on three issues: how to build the necessary infrastructure, how to provide a framework for cooperation and to ensure sustainable development among all the partners along the continental bridge.

Infrastructure

Turning first to infrastructure, it is clearly important to ensure that infrastructure planning is soundly market-based. We in government must ensure that businessmen are brought into our planning process from the start, so that the infrastructure we build is the right infrastructure. This need not rule out pump-priming contributions from central government, but the critical mass of funding cannot be based on government contributions. As we are discovering in Europe, where we are trying on a smaller scale to build Trans-European Networks, we cannot escape the market, but must rather work with it.

This emphatically does not mean that big projects are impossible. Already in Asia, as in Europe, Build-Operate-Transfer contracts are a familiar tool. They are particularly suited to transport links, where user fees can generate the necessary revenue during the initial operating period to attract private funding for even dauntingly large projects of the sort that this symposium must address. The problem will not be the techniques, but the prospects for a healthy rate of usage.

A framework for cooperation

And that brings me to the second point—the need for a sound legal framework for inter-regional cooperation. To put it bluntly, demand to use a land-bridge between Europe and Asia will only be high if certain political conditions are met: There must be peace along the land-bridge, there must be stability and a prospect of continued peace, there must be sound independent economic structures that allow transporters and economic operators to get on with their business free of the fear of arbitrary or discriminatory government attention. Only if these conditions are met will foreseeable demand for use of a bridge grow to a level where the necessary capital can be attracted.

On this score, the picture so far is mixed. I would pay tribute to the great strides made by the government of China, by the countries of eastern Europe, and by many of the independent states which grew out of the former Soviet Union. Their governments are tackling with courage and determination a Herculean task of economic reform and regeneration. This is necessarily a long-term exercise, with ups and downs along the way. In the industrialized countries, we have found

it helpful to make a common front against protectionist pressures from special interests by joining together in international commitments to sustain open economic policy. That is the real value of membership of the World Trade Organization, or of the OECD [Organization for Economic Cooperation and Development]. That is why I have favored consistently in my role as vice president of the European Commission, the fastest possible negotiations for Chinese membership of the WTO, for example, or of eastern European accession to the OECD.

Chinese negotiations for the WTO are not, I fear, a subject for optimism today. Very few observers believe that the prospects of an early breakthrough in talks are great. I continue to believe that China wants to be in the WTO as much as we want China to be a member. But WTO is a rules-based organization, and we cannot engineer China membership on false terms. There is good will on both sides, but we must look carefully at the details of the deal. What the WTO members need from a new applicant is a clear indication of the applicant's commitment to accept the rules of the WTO, all the rules.

Once that is clear, there is very wide discretion for the WTO to allow transitional periods, which can be substantial, in which a new member can adapt its economy to the requirements of WTO. We certainly need a substantial down-payment of commitments by China at the moment of entry, combined with an agreed timetable to meet these commitments during the transitional period. But the changes that this process will require are in China's interest, and are not a series of one-sided concessions being sought by foreign interests at the expense of the Chinese people. If this is accepted on both sides, I believe we ought to be able to do a deal on this basis.

It is often put to me, that in fact China does not need to join WTO at all costs, because the process of economic reform is irreversible and will continue in future, irrespective of WTO membership. That may be, but the governments of western Europe have themselves found that it is not always easy to sustain the right policy trends, in the absence of international obligations. Nor is it easy to get credit for domestic reforms if they are not bound internationally. And I think that in the development of a land-bridge, the absence of certainty for the future and the absence of international recognition for Chinese reform would be real handicaps. If China were a WTO member, then the prospects for continued economic liberalization and development would be surer and a land-bridge would be more attractive as a result.

In case anyone in this room believes that to advise membership of the WTO is to advise perfection, let me add that the picture of WTO progress in recent months is at best patchy, particularly in the transport and infrastructure sector. Last week I was in Geneva with the ministers of the European member states, so that we could be on the spot to finalize, successfully as I thought, the WTO negotiations to liberalize worldwide provision of basic telecommunications.



European Commission Vice President Sir Leon Brittan arrogantly demands that "certain political conditions" be met, as a precondition for support for the Euro-Asia Continental Bridge: namely, that British free-traders run the show.

As this conference is taking place in China, I venture to remind the audience how important a liberal and least-cost telecom network is to support not only a vibrant national industry, but also for all our countries' efficiency on worldwide markets.

Indeed, telecommunication is a key part of the land-bridge we must build. As you all will know by now, we failed to conclude the negotiations.

For Europe, this was a surprise and a disappointment. We had consulted closely at the political level with the U.S., Japan, Canada, and other trading partners. I was pretty sure that others would share Europe's unambiguous conclusion that the offers on the table for telecommunications were enough to close the deal, even if we would continue to work for improvements of those offers in the years ahead. The U.S. administration decided at the last minute that the offers on the table were inadequate, and that the talks would have to continue into next year before a successful conclusion could be envisaged. We have managed to save what was on the table, at least for the moment, because we have set ourselves a new deadline of next February and agreed that we will all seek to improve the position by then.

I take this as a worrying sign that the momentum of multi-lateral liberalization may be dropping. I would also draw the broader lesson that rules are needed and are difficult to draw up where many countries are involved and vested interests are great. For a land-bridge to work, the rules must be in place before the prospectus is issued. And among those rules must be the most liberal rules possible for access by transport opera-

tors to a land-bridge network, and a guarantee that those willing to operate over the network will have pay a reasonable but not an exorbitant fee to those who run the network, particularly because those running the network are likely to be the commercial companies that build the network rather than the governments of the states along the line. . . .

As part of its new policy toward Asia, the European Commission has developed a long-term strategy for our relationship with China. This was deliberately called a long-term strategy, in order to take account of temporary hiccups which have occurred in China's rush toward the future and which may well continue to occur in the coming years. The basic premise of our strategy is that China has taken major, positive, and irreversible steps to alter its economy and society, and that Europe must cooperate with China in its continued development. . . .

In conclusion, I believe that we are at a critical moment in discussion of the land-bridge project. If we can make it marketable, if we can clearly demonstrate that the legal framework for economic activity along the land-bridge is in place and that the prospects for sustained growth are real, then I believe the project will become a reality.

Mr. Chairman, I would wish you and your colleagues here every success in the discussions ahead. I will look forward to studying closely the results of this important symposium.

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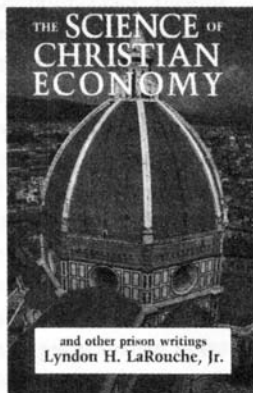
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The start of a new economic era for a new civilization

by Rui Zingwen

A report by Mr. Rui Xingwen, chairman of the China Development and Promotion Commission of the New Euro-Asia Continental Bridge, to the plenum of the International Symposium on Economic Development of the Regions along the New Euro-Asia Continental Bridge, on May 7.

Respected chairman and vice chairmen, distinguished guests and friends, ladies and gentlemen, the International Symposium of Economic Cooperation in the Regions along the New Euro-Asia Continental Bridge has been opened successfully in Beijing. The theme of the symposium is to accelerate the economic development and cooperation in the regions along the new Euro-Asia continental bridge, as we are on the threshold of the twenty-first century. The convening of the symposium raises the curtain on the economic development and cooperation in the regions along the new Euro-Asia continental bridge. The symposium is also an important event of Euro-Asia economic development and cooperation following the Bangkok Euro-Asian Summit, on March 1, 1996. Leaders of China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan signed the Agreement on Strengthening Military Trust along the border areas on April 26, in Shanghai, which will also have a positive impact on the symposium and the development of the regions along the land-bridge. On behalf of the China Development and Promotion Commission of the New Euro-Asia Continental Bridge, I would like to express my warmest congratulations to the opening of the symposium. . . .

My topic is: Start the new economic era of the continental bridge for a new human civilization, which falls in four parts.

I. Start the new economic era of the continental bridge

The economic development and cooperation in the regions along the new Euro-Asia continental bridge is an inevitable trend and result of the land-bridge economic law. It will, on the one hand, develop with the development of world's land-bridge economy, and, on the other hand, powerfully push the world's land-bridge economy forward.

The land-bridge economy, based on the emergence and development of the world's land-bridges, is a newly developed economic pattern in the world. Its emergence and formation will broaden the ways of solving common problems of