

Many questions, few answers

State pushes 'China card' on American business

Competent answers to crucial questions were few and far between, according to all reports of an extraordinary and very hastily assembled meeting called by the State Department on Jan. 15 to explain to American businessmen the prospects for U.S. business dealings with the People's Republic of China. The poor showing by a top roster of Administration spokesmen including Secretary of State Cyrus Vance, Commerce Secretary Juanita Kreps, Treasury Secretary Werner Blumenthal, and National Security Advisor Zbigniew Brzezinski, raised a further question — why had the Administration, on three days notice, gone to such lengths to pull together such a display of unpreparedness at all. At least part of the answer seemed to be the Administration's desire to justify its "China card" policy to American business on the eve of the arrival in the United States of Teng Hsiao-ping this week.

Worst of all, the session completely failed to address the overriding question: what type of relations should U.S. business have with China: one modeled on the Japanese developmental approach, or one following that being pursued by Britain, focusing on raw materials and financing? The overwhelming impression was that Vance and company had, and have had, no coherent policy toward China, a fact which has passed policy-making toward China on to National Security Advisor Brzezinski, who flaunted the "China card" rationale for U.S. warmth toward Peking.

Exciting prospects . . . exciting risks

The *New York Times* acknowledged the weakness of State's session, characterizing it as "three hours of generalized and some-

what uninformative speeches and question-answer sessions." One business executive said it had created a lot of "healthy skepticism" over the explanation of U.S. policy. Executives were not getting the answers they needed, the article said.

First-hand reports confirmed the impression reported in the press. In her opening presentation, Juanita Kreps focused on the "exciting prospects" for trade with China. When asked from the floor about the "exciting risks" that she had neglected to mention, she merely answered that China had an excellent credit rating. In fact, the Chinese have never borrowed before. When pressed on what China has to export beyond oil to pay for imports, she did not know. A questioner asked whether the U.S. could at least see China's development plans so as to evaluate the soundness of Chinese economic planning. Kreps answered that the Chinese must know what they are doing, and anyway, the U.S. can't force the Chinese to do anything or show us anything.

Another questioner raised the issue of how China would be able to service the large debts it seems about to acquire. Blumenthal responded that the U.S. government could care less about private business debts, because the government, for its part, had no intention of making much credit available to China and did not plan to tell business what to do or to advise them one way or the other on the advisability of credits to China. Kreps chimed in that the government foresaw a substantial need for private loans if there were to be any substantial U.S. exports.

On many other lesser questions as well, the Administration seemed not to know the answers or to be fudging. One questioner said that the U.S. liaison office in Peking has been saying that most

Brzezinski: "China a global force for peace"

The following are excerpts from a speech of National Security Advisor Zbigniew Brzezinski, at the State Department briefing on China.

"We are in the process of creating a diverse and stable community of independent states. . . . With the establishment of full diplomatic relations with the PRC, we very significantly increase the scope of international cooperation. We wish, of course, to include the Soviet Union in that framework of cooperation. . . . We hope and encourage the Soviet Union to be cooperative, but whichever path the Soviet Union chooses, we will continue our efforts to shape a framework for global cooperation based not on domination but on respect for diversity. . . . Normalization (with China) is an important part of our global effort to create a stable community of diverse and independent nations. We consider China as a key force for global peace simply by being China: an independent and strong nation reaching for increased contact with the rest of the world. . . ."

Vance: China ties encourage equilibrium in Asia

Excerpts from a speech by Cyrus Vance, Jan. 15, at the State Department briefing on China to 500 businessmen and China specialists.

"We acted in a way that will move us toward our objective of a stable system of independent nations in Asia, and that will also increase the chances of maintaining a stable equilibrium among the United States, Japan, China and the Soviet Union. The United States will continue to play an active role in order to maintain that stable equilibrium. . . . We believe that China has an important role to play in the search for global peace and stability. The same is true for the Soviet Union. Our national interests are best served when we seek to improve relations with both nations while protecting our vital strategic interests. For this reason, we also look forward . . . to improvement of our trade relations with the Soviets as well as the Chinese."

avored nation status will be approved this year and wanted to know if this would also apply to the Soviet Union. Blumenthal said it will be before Congress this year, and the Soviet issue "will come up." Kreps denied that the French sale of a nuclear plant will be a precedent for the U.S., but left a loophole for possible U.S. sales. The only information provided on the status of frozen U.S. and Chinese assets — an essential issue for normal trade — was that it "is being discussed," as it has been for the past four years.

A number of questions on the future of Taiwan relations drew equally equivocal answers. No concrete answer was given to whether Taiwan corporations could have adequate access to U.S. courts to settle claims, or what is really being done to safeguard Taiwan, with which the U.S. does 5-10 times more business and which should reach \$10 billion in two-way trade deals in a year or two. Taiwan is already the United States's eighth largest trading partner.

Vance vs. Brzezinski charade

The "trade" and "business" section of the briefing was followed by the "political" presentations by Vance and Brzezinski. The intention appeared to be to present a "Mutt and Jeff" act to the attendees, a charade enacted on stage first by Vance and the previous speakers. When they cleared off the stage, Brzezinski emerged on the empty dias with a sole advisor. The *New York Times* and *Washington Post* duly played up the "split" between the two. However, this publication has failed to find a single first-hand observer who saw much difference in the presentations, an impression confirmed by analysis of the released texts of the two speeches. Where Vance spoke of "maintaining a stable equilibrium" among the four principal North Pacific powers (see below), Brzezinski spoke of efforts to "create a stable community of diverse and independent nations."

Vance's language of "equilibrium" was reminiscent of that of his predecessor Henry Kissinger, who favored making most of Asia a Chinese sphere of influence — the so-called "China card" approach which Brzezinski pursues. One qualified observer concluded that the "Mutt and Jeff" skit was an attempt to disguise the absence of any policy toward China, other than Brzezinski's "China card," under a strictly rhetorical semblance of "major differences" within the Administration.

British or Japanese model?

The absence of a real policy is nowhere more apparent than in the Administration's side-stepping of the crucial issue: what ought to be the general character of U.S. economic dealings with China? The question has taken on an ever greater urgency in recent

months as China has been aggressively shopping around in every Western country and Japan, and spawning fierce competition among these nations for China's business. Japan in particular and continental Europe in general, have shown a strong but realistic interest in providing China with the means to modernize by providing infrastructure, energy, and industrial facilities. Great Britain, also competing for these projects, is known to view China as "its turf" and to want to channel as much as it can of capitalist dealings to China through itself, with particular emphasis on its Hong Kong connection. As one top Japanese source commented with respect to Japan's efforts to undercut British influence in and on China, "They (the British) have their contacts in China, but they are old ones. Our contacts are new." The source confirmed that Japan hopes to convince American business to adopt the Japanese rather than the British approach, which concentrates on raw materials extraction per se, and on making money on financing as an objective itself — in effect to sucker China into a debt-dependency relationship. Japan, rather, seeks to foster real development (see article below).

The fiercest rivalry has come on just this question of loans, where Japan has sought to lower the interest rates to enhance China's ability to absorb industrial capital. Japan has offered six to six and a half percent, a full point below London's rate, and British sources are known to be hopping mad. But Japan is also seeking ways to provide some loans at concessionary terms, such as 3 percent. Britain's concern is that the profitability of pure financing evaporates at such levels, a matter of less concern to Japan which mainly wants to sell the physical equipment.

In the United States, the debate is reflected by a manifest ambivalence, in which some companies are tumbling head over heels into the China market — or trying to, while others are heeding the many cautions and demanding more answers before they commit themselves. However, the underlying issue involved reveals the true intent of the State meeting.

Secretary Kreps stressed the importance for U.S. business in being able to export a lot to China. But Kreps's refusal, at the meeting or elsewhere, to present the potentials for U.S. exports opened up by the new European Monetary System — which promises 10 to 20 times more export revenue than envisioned for China over the next decade — reveals the shallowness of this concern. In fact, many businessmen understand that the Administration would like business to see China as an alternative to the EMS — in line with Administration coolness to the EMS because of Britain's opposition to it. However, if that were the intent of the briefing, the Administration will have to get its act a bit more polished to be convincing.