

# Power Couple

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In the waning years of the last century, Americans were preoccupied with industrial mergers, urban chaos and unrest in the Philippines and Cuba. Only a few military strategists predicted the real threat to the global status quo -- the rise of Germany and Japan.

Today, on the cusp of another millennium, we again risk losing sight of the most important challenge facing the United States: the rise of China, already a military power but soon to be one of the world's largest economies.

That is where any discussion of the United States and China should begin -- not with tensions over Taiwan and not with human rights violations, repugnant as we may find them. If Washington focuses solely on China's military conflicts and human rights violations, it is destined to become enemies with Beijing. A strong trade relationship remains our best chance to avoid that and to plant the seeds of democracy in China.

There is no time to lose. To have an effective partnership, we need a better trade balance. Our deficit with China is second only to the imbalance with Japan, and it is growing at a much faster rate. In the late 1980's, the deficit was just \$2 billion. In 1995, the deficit was more than \$30 billion. This is not yet an emergency -- not in our \$7 trillion economy -- but the warning lights are flashing.

The potential for trade with China is enormous. At least until the end of the century, China plans to import more than \$100 billion in goods each year. Competition for this trade is brutal. Presidents and prime ministers from Britain, France, Japan and Germany have offered China billions of dollars in low-interest loans, which are tied to the purchase of their countries' products.

But there is more at stake than money. American companies are our only major link to hundreds of millions of Chinese people. When AT&T connects Chinese citizens to anyone in the world, or when Procter & Gamble upgrades safety standards for its Chinese workers, some of our human rights goals are met, too.

Advocating greater commercial engagement with China is easier than carrying it out. Beijing has imposed huge industrial tariffs and a host of trade barriers in financial services. Indeed, the Clinton Administration may soon announce that it is imposing sanctions on China for violating agreements on intellectual property rights.

But America must think beyond the next skirmish. Trade should not be a threat to our relationship, but the glue that strengthens it. Here are some ways to develop a long-term strategy:

Push harder to admit China into the new World Trade Organization. China must meet global commercial rules, and it has a long way to go. But the United States should not be excessively legalistic, as it often is in trade negotiations. It is better to have China inside the club, and subject to global sanctions if it strays from the rules, than outside it.

Ask our allies to help us. Washington should marshal its allies to pressure China when necessary. Going mano a mano with Beijing as we always do, be it over intellectual property rights, human rights or arm sales, is increasingly ineffective.

End self-defeating threats to stop trade. Congress should stop threatening to revoke China's trading privileges every time there are human rights violations. Such light-switch diplomacy undercuts our chances for meaningful long-term commercial ties and ignores the speed at which China could substitute Europe's Airbus for Boeing's planes. Human rights violations need to be vigorously denounced in the United Nations as well as in discussions between our two Governments, but interrupting trade only backfires.

Help American companies expand trade. Washington should immediately upgrade efforts to help its companies win contracts in China, including providing financial assistance.

Expand the definition of economic engagement. The United States should step up efforts to help China develop a modern financial and legal system, from stock-market regulations to commercial courts.

Develop a long-term vision. The United States and China need to talk regularly at the cabinet level about the future of trade between the two companies -- what the two sides envision in the 21st century and how to get there. Little such discussion now occurs, because tensions of the moment always pre-empt everything else.

The United States and China will be the two global giants for several generations. Placing American-Chinese trade at the center of our global interests prepares us for the next century more effectively than our forefathers did a hundred years ago.