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Baucus a Longtime Proponent of China Trade Ties

By: Ian Talley and William Mauldin

For nearly three decades Senator Max Baucus (D., Mont.), soon to be tapped by the White House as the next U.S. envoy to China, has been one of Congress's most vocal advocates for opening up trade relations with China.

To be sure, the chairman of the Senate Finance Committee, which has jurisdiction over trade issues, has salted his China advocacy with criticism of the country's economic and human-rights policies. But Mr. Baucus was one of the first U.S. lawmakers to push for normalized trade relations with China, was the chief backer for Beijing's entry into the World Trade Organization, and was among those who opposed 1992 legislation that would have imposed tough conditions on renewing the country's "most favored nation" trade status after the 1989 Tiananmen Square crackdown.

And while he has been critical of China's exchange rate policies, he hasn't proven to be a currency hawk in Congress, another fact that could put him in good graces with Chinese officials.

In a 2002 speech calling for China's entry into the WTO, Mr. Baucus said that extending permanent normal trade relations to China was essential for "developing an environment between our two countries where we can productively engage China in significant security, regional and global discussions."

"These are not Democratic issues. These are not Republican issues. These are national issues. Passage of [Permanent Normal Trade Relations] is a first step, and it is critical to America's national economic and security interests," he said.

The pending nomination of Mr. Baucus, who has been either the chairman or ranking member of the Senate panel since 2001, underscores Washington's relationship priority with the world's second largest economy.

The administration hopes that enmeshing China further into the global economy will temper the transition of the country as it evolves from a developing country into a world power, helping to prevent escalation of security tensions in the region.

"He knows an enormous amount about the trade and financial issues that are a key part of our relationship with China," said Robert Hormats, vice chairman of the Kissinger Associates consultancy and former U.S. undersecretary of state for economic affairs.

Mr. Baucus was also a backer earlier this year of restarting stalled negotiation to reach an investment treaty that could significantly expand business opportunities for both countries. U.S. firms are eager to tap China's 1.3 billion consumers, particularly as they move into the middle class and their purchasing power swells, and China wants greater access to American markets.

The Cato Institute, a think tank that advocates for the elimination of global trade barriers, rates Mr. Baucus as a strong “internationalist.”

“He’s a free-trader,” said Dan Ikenson, head of Cato’s trade studies center, though “he’s very big on subsidies” for U.S. firms.

One major trade interest for the Montana senator, Mr. Ikenson said, has been cattle and beef, a big industry for the state and significant export to China.

China’s economic expansion has caused major trade frictions with the U.S. as American firms have had to compete against companies that are given broad financial backing from the government. America’s annual trade deficit with the country is worth roughly \$300 billion and appears to be expanding, not shrinking. The U.S. has also brought a number of cases against China over World Trade Organization rules. On Tuesday, a U.S. commission moved to extend punitive duties on the import of hot-rolled steel from China and other countries.

While U.S. firms have a raft of concerns about China’s property right protections, government subsidies for state-owned firms and other barriers to free trade, Beijing’s currency policy has been the primary focus of criticism. Holding down the value of the yuan, U.S. officials and firms complain, ensures Chinese products are less expensive to produce and more attractively priced in the global market.

Mr. Baucus has voted for several different bills in the past ten years that have targeted China’s currency policy as damaging to U.S. exports. But he wasn’t a cosponsor of the legislation, and economists say none of the legislation would have forced the administration to actually apply sanctions against Beijing, giving both China and the White House plenty of wiggle room to avoid having to apply penalties.

Mr. Hormats said Mr. Baucus could also help calm Chinese fears about budget fights in Washington that have forced government shutdowns and raised fears of a spike in U.S. borrowing costs that would send financial shockwaves around the global economy.

“He can also help interpret what’s going on in Washington to Chinese officials, especially on fiscal impasses,” Mr. Hormats said. With China being the largest foreign holder of U.S. debt, “they find it puzzling and very troubling,” he said.