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### Senate Poised to Pass China Trade Measure

Commerce: Approval would ease the country's entry into the WTO, a move seen globally with both eagerness and anxiety.

By JONATHAN PETERSON, Times Staff Writer

WASHINGTON--The Senate's expected vote today to normalize trade relations with China will echo through the world economy for years, unleashing fierce new competition for many countries and confronting global rule-makers with a trader that has been notoriously aloof to the rule of law. Specifically, the vote would pave the way for China to join the World Trade Organization, the Geneva-based entity that is the closest thing to a referee for the global economy. China's membership is expected within months, concluding its 13-year quest to enter the club. Yet China would be a WTO member like no other. It is a first-tier trading power that often lines up with the world's have-nots on key policy matters. Although it has grown dramatically outside the formal international economic system, it would have to struggle to work within it. Beyond that, China's economy remains fraught with risks for the outsiders who envision riches in its historic market opening.

"There's been a lot of optimistic rhetoric" about the benefits of China joining the world's trading system, said Greg Mastel, director of the global economic policy project at the New America Foundation, a Washington think tank. "The reality is that for at least five or 10 years, it's going to be a rocky ride." Until now, much of the U.S. debate has centered on how China would be changed by deeper engagement with the United States and the rest of the world. Less discussed, however, has been how deeper Chinese engagement will affect an already disorderly global economy and the ongoing struggle to discipline it.

China has operated carefully in the United Nations and other global bodies, where it has sought the image of a responsible, major power, experts point out. Still, some of these same analysts and scholars suggest that China's impact on the WTO could be significant: China represents an influential new voice for the emerging world in a trading system that already is polarized between rich and poor. China is certain to oppose the U.S. goal of including workplace standards in trade deals, and to approach calls for new environmental controls with great wariness. At the same time, China will pose a growing competitive threat to the very emerging nations that it sometimes speaks for. To cite a major example, it will compete fiercely with poor countries in Asia, Latin America and Africa to sell apparel and other textile products to the United States.

As Beijing slashes formal barriers to foreign investment, corporate America is preparing to set up new manufacturing and services in China, fueling future controversies over lost U.S. jobs in a flap reminiscent of the North American Free Trade Agreement. "I would expect that debate to be replayed," said Rob Scott, a trade specialist at the Economic Policy Institute, a think tank that has been critical of global trade accords. A working group in Geneva is trying to iron out the final technical terms for China's entry into the 138-member WTO, where its interests may conflict with the United States' in key ways.

U.S. officials, for example, have pushed hard to protect intellectual property from Third World theft--a concern of pharmaceutical, entertainment, software and other industries. The United States also has tried to derail a WTO debate on its own sanctions against dumping, the unloading of exports at below the cost of production, typically by emerging countries. In addition, the White House has wanted the WTO to consider how workplace issues, such as pay and safety, could be part of future trade deals.

Officially or unofficially, China has been on the other side of all these matters. For all that, however, some China specialists say that Beijing's long-awaited membership remains a wild card for the conflict-filled WTO, where its positions may prove hard to predict.

As the world's seventh-largest economy and--including Hong Kong--the world's fourth-largest exporter, China's economic fortunes are more tied up with the affluent West than with emerging countries, said Minxin Pei, a China specialist at the Carnegie Endowment for International Peace. "China will always have its own national interest as its primary concern," he said.

China's record of making few waves in such international entities as the United Nations and World Bank adds to the case that it may be a moderate citizen of the WTO: "They're not system-busters. They don't want to tear apart global institutions," said Margaret M. Pearson, a political scientist at the University of Maryland. "But they will fight very hard for their core interests. They can be expected to be very, very active in the WTO."

As an official member of the global trade system, China will be required to abandon such pervasive practices as demanding that foreign firms doing business there use local supplies, materials or distributors. Yet internal Chinese tensions cast doubt on whether its leaders can reliably deliver on their new pledges.

For example, China's promise to open its economy to more foreign competition threatens massive job cuts in its bloated public sector, said Gary C. Hufbauer, a senior fellow at the Institute for International Economics--cuts that could unleash a huge political backlash. But if China flouts the international rules, many nations will be tempted to follow its example, analysts say.

Indeed, while many argue that bringing China into the global framework will strengthen democratic reforms there, "In some ways the reverse is equally true," maintained Daniel A. Seligman, director of the Sierra Club's Responsible Trade Campaign. "Bringing China into the WTO weakens the rule of law globally."

Business lobbyists long have touted China as a marketplace of breathtaking potential. This message has fueled hopes that 1.2 billion Chinese will soon be using more goods made in the United States, perhaps even narrowing the U.S. trade deficit with Beijing that last year hit \$68.7 billion, according to U.S. government figures.

But just what the emerging business ties will mean for America workers remains a matter of dispute. A study by the conservative U.S. Business and Industry Council concluded that American firms view the coming era more as an opportunity to expand production inside China than to export American products over there. Such strategies appear likely to spark complaints that U.S. business is shifting production to China, and that such investments are opportunities that might otherwise have benefited American workers.

"If you look at the companies' Web sites, and you examine the statements of their executives, there's almost no talk of ramping up U.S. exports from the U.S. to China," said Alan Tonelson, a research fellow who authored the report. "What they talk about a great deal is ramping up production in China--to service the Chinese market, the U.S. market and global markets."

Other analysts say the truth is more ambiguous. As American firms set up shop and expand in China, they also may rely on parts and supplies from home, which would lead to some increases in their imports from the United States, said Joseph P. Quinlan, senior international economist with the Morgan Stanley Dean Witter investment firm in New York. Efforts by U.S. firms to capture overseas markets, strengthening their global competitiveness in the process, are often applauded by economists. "It's really a complex picture," Quinlan said. Ultimately, it may be other nations that are hit hardest by the competitive pressures from China, as Beijing scrambles to earn foreign currency and fuel desperately needed economic growth by exporting products that are also made in other emerging nations.

On textiles and apparel, for example, many countries had hoped for years of breathing room before they had to compete with China in selling to the U.S. market. But U.S. officials last year agreed to eliminate barriers to Chinese textiles and apparel at the same time it does so for other countries.

"China is not so much a threat to the United States as it is to Thailand, to some of the Central American countries, to Central Europe," said Quinlan. "There's no doubt about it."