

USAPC Washington Report
Interview with Honorable Jim Leach
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USAPC: Some analysts have argued that growing tensions in U.S.-China relations are fueled, in part, by the Chinese government's inadequate understanding of the U.S. governing system. You were in China recently. What was your impression?

Leach: My sense is that there is indeed a crisis brewing in U.S.-China relations. This crisis is based in part on tangible issues and in part on mutual misunderstanding.

It is important to bear in mind that China and the United States view the world in profoundly different ways. China has adopted an "economics first" policy, which it claims is a doctrine of non-interference rooted in the notion of equality of nations. American foreign policy, by contrast, emphasizes political issues and ethical values rooted in the notion of equality of the individual.

From a Chinese perspective, the American emphasis on the dignity of the individual as contrasted with respect for the state has a weakness. Its value-laden intrusiveness too easily legitimizes self-righteous interventionism, including military action.

From an American perspective, the Chinese "equality-of-nations" approach may in some circumstances be quite reasonable, but in others it appears to disguise a willingness to consort with oppressive governments. When a nation provides foreign assistance to a corrupt regime, some observers may question whether "ethics-blind giving" is respectfully neutral. After all, funds provided to oppressors can be used to further oppress.

And to the extent that aiding corrupt governments provides gratuities to a few in power, the suspicion naturally arises that an implicit quid pro quo may develop. For example, in return for state-to-state aid, the assisting government may be given natural resources concessions.

To the Chinese, the world-wide battle for oil and other natural resources concessions may resemble the efforts of 19th century European powers to divide and control China. The model of giving tidbits to insiders to allow social pillaging by outsiders appears to be a replicable approach. The difference in this century is the change in power relationships.

But as Tony Blair revealed in queries about an \$80 billion contract to supply aircraft to Saudi Arabia at the recent G-8 summit, the West comes to the corruption issue with unclean hands in this as well as in prior centuries. How to deal with conflict-ridden officials in foreign societies is a problem the international system has yet to resolve.

USAPC: You mentioned mutual misunderstanding also is fueling the crisis in U.S.-China relations.

Leach: Yes. We have a tendency to overlook the economic challenges China faces and the rapidity of change in Chinese society. The Chinese are trying harder to understand us than we them, but their state-centered approach makes dealing with our separation-of-power system difficult. It defies Chinese sensibilities.

The Chinese, like other foreigners, particularly wonder about the relationship between the Executive and Congress in foreign policy. This should come as no surprise because our constitutional model is unique and the congressional-executive relationship is in constant flux. It

depends on circumstance, party control, the happenstance of personalities in key legislative and executive positions, and input of the public.

The only constant is that Congress generally responds to constituents more rapidly than the Executive. Indeed, one assumption of our founders when they wrote the Constitution that has proven frail was the notion that the Executive would have a near monopoly on knowledge in the foreign policy arena. As communications techniques have become more sophisticated and as more issues have become international in an era of globalization, publics have reached out to their elected Members of Congress to express concern.

Former Speaker of the House Tip O'Neill used to comment that all politics is local. This observation may be an enduring truth, but there is increasing relevance to a corollary: in an era of globalization, all local politics is influenced by international events.

Hence, while history is always a helpful guide, there is a general trend toward greater activism in Congress on foreign policy issues. This trend is likely to accelerate rather than reverse.

This will particularly be the case on trade matters. The Constitution established in Article I that commerce is the only foreign policy area in which Congress has primacy. If lawmakers perceive constituent interests are being harmed by foreign commercial practices, it should come as no surprise to trading partners that Congress will attempt to flex its muscles.

But in addition to separating power at the national level, the American system bifurcates authority in a federalist manner. The power separation motif is quadruplicated.

We not only have a legislative-executive-judicial division at the national level, but we have analogues at the state, county and city levels. These separation and bifurcation approaches create overlaps and tensions between levels as well as branches of government.

While foreign policy is generally considered exclusively a national responsibility with the Executive being the principal player, state laws can sometimes apply and state office holders can sometimes exercise authority as Governor Schwarzenegger recently has in the environmental arena.

USAPC: In recent months, the Bush administration has watched its approval ratings slide. To what extent has that emboldened Congress on trade policy, in general, but particularly toward China?

Leach: As a general proposition, the Executive accretes power during war-time. However, if policies do not work out, Congress will begin to sharpen its elbows. Moreover, if the legislature is controlled by a party different than that of the Executive—which normally cannot happen in parliamentary settings—there can be quite vibrant differences of judgment between the President and Congress. We are beginning to see that dynamic play out in various policy areas, with significant implications for U.S.-China relations.

USAPC: The Republican and Democratic parties also have changed considerably in the past decade or so. These transformations affect policy. How do you explain the fluid state of U.S. party politics to Chinese officials who never have operated in a truly multiparty system?

Leach: The interplay between the Republican and Democratic parties and within each of these parties adds another layer of complexity to the U.S. system, which may be particularly perplexing to officials of a nation with a one-party monopoly on power.

There are many ways to break down the composition of the parties. One way is to describe the Democratic Party as composed of one group of members that is of an academic, free trade bent and another group that is of a more labor-oriented, protectionist dimension. Because labor controls party finances and organization, it is the dominant wing today.

Within the Republican Party, there has historically been a division between moderates and conservatives. That division is no longer central. The division that now dominates is between two streams of conservatism: 1) “individual-rights” conservatives symbolized by two former Presidential candidates, Robert Taft of Ohio and Barry Goldwater of Arizona, who were free trade oriented; and 2) social conservatives, who are more driven by concerns for social values than abstract economic principles. The constituency of this latter group is often lower to middle class voters whose job security is increasingly in doubt. Social conservatives who are concerned about immigration and jobs issues are the dominant dimension of the Republican Party today.

So we have a Democratic Party with a largely anti-trade perspective controlling Congress with few inhibitions about taking on a weakened President and a Republican Party dominated by members who are not inherently of a free trade persuasion.

This presents China with an awkward challenge. The huge trade imbalance with America is complicated by a policy framework which may cause Americans to retrench from active internationalism.

Overlapping these phenomena is the irony that the vast majority of countries in the world, including the United States, feel they are being disadvantaged by globalization even though global GDP growth is quite solid. People everywhere are finding social change so rapid that more and more factors of life seem outside the control of average citizens. When fears and frustration dominate life, protectionist sentiment flourishes.

USAPC: Reps. Mark Kirk (R., Illinois) and Rick Larsen (D., Washington) formed the U.S.-China Working Group about two years ago ostensibly to create a more informed debate on China in Congress. Do you think we need more initiatives like that? Will a more educated body politic be less inclined to advocate protectionist solutions?

Leach: Congressional initiatives like the U.S.-China Working Group are thoughtful and helpful. Unfortunately, they are of marginal significance in dealing with pressures building in the body politic.

Those pressures are quite high, despite the fact that unemployment of 4.5 percent is constrained relative to many societies. Nevertheless, a sense of “job jeopardy” is on the rise in America.

The job mix is changing. We are witnessing a movement of basic manufacturing out of the country, which is difficult for a country which has always been a making and producing society. We also are witnessing greater social division between the “haves” and the “have nots.”

Some elements of the “have” population have developed effective ways to manage and lead globalization, while those in the “have not” category are finding it more and more difficult to get and keep a satisfying job.

Protectionist sentiment is thus mushrooming in the United States and could cause the country that generally has led the world in more liberal trade patterns to reverse gears, particularly if recessionary pressures grow.

USAPC: As we speak, the U.S. Congress indeed is clamoring to impose trade sanctions on China over its undervalued currency, the remembi (RMB). Beijing has resisted this pressure, apparently preferring to pursue economic reforms in an incremental manner. Were you able to impress upon the Chinese the need to accelerate the pace of reform?

Leach: Despite the fact that it will affect our trade imbalance only marginally, Congress is pressing forcefully on the currency valuation issue. Americans want equity even if a 40 percent valuation shift produces only modest trade shifts.

From China's perspective, there is a sense that U.S. industry has decided to move significant production off-shore based upon the cost structure in America. The only question is where. Chinese authorities are therefore more concerned about the relationship of the RMB to other Asian currencies and the Mexican peso than they are about the relationship of the RMB to the U.S. dollar. So, in reality, China is pursuing more of a "beggar-their-neighbor" policy than a "beggar-the-U.S." policy.

The Chinese government clearly prefers to reform its policies in an incremental manner and has allowed the RMB to appreciate only seven percent over the past two years. While I personally believe it is best to have open markets for both currencies and goods, I understand the constraints of Chinese domestic politics. There are more severely underemployed Chinese workers than the entire American work-force, and China has little sympathy for Japanese, Vietnamese, or Indian workers.

But the point I tried to get across in my recent series of talks in China was that there is a significant difference between "marginal incrementalism" and "steadfast gradualism." The dangers of countervailing acts increase with the level of the Chinese government's perceived intractability.

USAPC: Nevertheless, it appears that even "steadfast gradualism" likely will not derail protectionist initiatives making their way through Congress.

Leach: I have no doubt Congress is going to consider legislation that will challenge China significantly in this Congress and that the trade issue potentially could be strident in the coming Presidential campaign.