
Interview: Liu Xiaoming



The U.S. can play a leading role in China's development

Just prior to the June summit between U.S. President Bill Clinton and Chinese President Jiang Zemin, Chinese Embassy officials began to take their case to the American people. In an atmosphere characterized by hysterical outbursts on Capitol Hill over an alleged "China threat," Liu Xiaoming, the incoming Minister-Counselor at the Chinese Embassy in Washington, at a press conference on June 9, clarified some of the misconceptions rampant in the U.S. media about China, its intentions, and desires.

One issue which has become a stumbling block to collaboration between the U.S. satellite industry and China's launching capabilities, is the allegation that sensitive technology was transferred to China during an investigation by engineers of the U.S.-based Space Systems/Loral Corporation, of the 1996 failure of a Chinese missile carrying one of its satellites. Republicans are using the allegation to disrupt U.S.-China relations.

At his press conference, Minister Liu addressed this question head-on. "On the satellite issue, I think this is a routine procedure. There is no technology transfer involved," he said. "In fact, the satellite is separate from the rocket and is closely packed in a hoop. Once it is transferred to China, it is under 24-hour surveillance by American technicians. No Chinese technicians are permitted there. There is a security guard preventing any approach to the satellite."

Liu said that the investigation "was the result of a request by the insurance company, which told us that if we wanted to have more launches, we would have to have these types of investigations. And what's more, they said that we would have to set up an international panel from Western countries. So, there was a panel of six experts, from Great Britain, from the United States, and from Germany, and they asked to review our report on the accident."

Liu continued: "The Chinese had to tell everything that happened during the Chinese launching procedure, including a great deal of information that had been never known by outsiders. So really, there was a transfer of some technology from China, rather than from the United States. You know, China has to share its secrets regarding the launching technology with American technicians.

"Once the story broke that China had acquired some technology in the satellite launching, I was completely puzzled and tried to find out what kind of technology was transferred.

And, material has been submitted to Congress to show that no technology was transferred. So, I think this has been really politicized, and I think that when common sense comes back to people, they will realize that this kind of cooperation is really beneficial, not only to China but also to the United States."

Responding to another reporter's question as to whether a "strategic partnership" between China and Asia would replace the U.S. relationship with Japan, Liu said: "We like to be partners with all countries. Japan has an important role to play in economic areas in the Asia-Pacific region. I think it also has its proper place politically, that Japan is emerging as a major power in the world, that's for sure. But I do not foresee that China will replace Japan as the major economic power. China is still a developing country, although it has now emerged as a major power, a trading power. Still, I think there's a tremendous gap for China to narrow.

"If you look at differences in GNP in the two countries, you see that we are very much behind. It will take years for China to catch up with Japan. I think Japan can play an important role. Japan is called the engine of Asian economic growth, at least it's called that by Americans. Some people think that China can become that engine to replace Japan, but I do not foresee that China can play that role. I think, however, that China can play a role as a pillar of stability in the Asian economy. At least, that is the role we are playing now. I think that China's economy and Japan's economy are very complementary to each other. Both countries play a very important role in the region. We do not have a competitive relationship. China and Japan can be good partners. And China can also be a good partner to the United States."

At the press conference, Minister Liu referred to the enormous infrastructure program of China, centered on a program of housing construction, as a "New Deal with Chinese characteristics." Minister Liu elaborated more fully on this program and related issues in an interview with *EIR* Washington Bureau Chief William Jones, at his office in the Chinese Embassy on June 15.

EIR: President Clinton will be on his way to China for a nine-day visit, visiting five different cities. What do you expect will be the main results, and benefit, for the U.S.-China relationship?

Liu: As I have said in my press conference, I hope that the two Presidents can reach a consensus on more specifics this time, on how to use the constructive strategic partnership between our two countries. The last time, they reached a consensus on principles and framework. They issued a joint statement. And this time, we need to see more specific, more concrete steps with regard to how China and the United States can use this partnership.

I think it is a really a broad agenda. I think the number-one issue will be security. You know, China and the United States have a lot of common interests in maintaining peace and stability in this world, especially in the Asia-Pacific. . . .

On the transnational issues, both face enormous challenges in areas like anti-drug, illegal immigration, and international organized crime. I think the two countries can cooperate. In the last summit, the two heads of state agreed to enhance this cooperation, and both sides agreed to send drug law enforcement officers to each other's capital. I think we're going to see implementation of this consensus in Beijing. And, in fact, very soon, we are going to receive two officers from China, working in this field, at the embassy here, and [two U.S. officials will be received] in Beijing, as concrete measures. And, I believe they will have more discussions on this area. They are really important issues.

Not long ago, at the special session of the UN attended by heads of state, China also sent a very senior delegation to this conference, an anti-drug international conference. It's important that our countries attack this serious problem, so, they'll have a lot to talk about.

The third area is environmental protection. That is also a very serious challenge faced by all the countries. The United States is number one in terms of CO₂ emissions, and China is number two, so our countries have to carry a very heavy responsibility to make sure that we have much cleaner air, better climate, so that the next generation will have a better Earth and world to live in.

Fourth, I think the two countries can benefit a great deal in areas of economic cooperation. China is the fourth-largest trade partner of the United States. The United States is the third-largest trading partner to China. Our trade is developing very rapidly; the annual increase for China is 70%, and for the United States, in the last decade its exports to China tripled.

China and the United States can also benefit a great deal from science cooperation. I just read a report that scientists of the two countries had very good cooperation in medical research, the common efforts in research for the cure of a very dangerous disease like cancer, that is really a blessing for the whole of mankind.

Fifth, I think an important area that the two Presidents will have more discussions about is the exchange between our two peoples in the cultural, education, science, and technology areas — people-to-people contacts. They are going to

have a very busy schedule, a very broad agenda ahead of them.

I have mentioned economic cooperation. I should also mention, that we are in a time right now of financial crisis in Asia. We haven't seen the end of the tunnel yet. Japan is running into very serious problems, and people are concerned about how China will resist the pressure on its currency. I think China has played a very important role. China has been a pillar of stability. I think China will continue to play this role as a pillar of stability. I think China and the United States can cooperate in this area to make a joint effort to ensure that Asia will gradually get out of this crisis. I think President Jiang and Premier Zhu will have in-depth discussions with President Clinton in this area, of how China and the U.S. can cooperate to restore confidence in these economies.

EIR: In this respect, there's been much discussion of phase two of that crisis, about the way instabilities in some of the countries have opened the way for speculative moves against their currencies. We see the Malaysian ringgit, the Indonesian rupiah, seriously devalued because of speculation, but also the Hong Kong dollar has been subject to such attacks. As a result, there have been voices raised in Malaysia, Indonesia, and also some from the Finance Ministry in Japan calling for a new stability in exchange rates, without which it is very difficult to conduct trade and investment. There has also been discussion about establishing a new Bretton Woods-like arrangement between currencies to provide that stability, the way we had it between 1947 and the early 1970s. How would China view such a fixed exchange rate system?

Liu: I know this is very much a subject for the economists in China. I cannot claim to be an expert, so I cannot speak for China, but I do know the thinking of some economists in China. Basically, our position is that this issue has to be addressed by all countries. We think it might be appropriate for all members of the International Monetary Fund to have some discussions about the advantages and benefits of having some kind of substitute, or something in between a fixed rate and a floating rate system.

I would say that there are both advantages and disadvantages for floating rates and fixed exchange rates. The fixed rate had been effective between 1949 to 1973. But later, it could not meet the demand, and adjust to all the changes, or be adaptable to changes, so we have the floating rate system. With floating exchange rates, it has been more difficult, I would say, for speculators, than when you have fixed exchange rates, which might provide more opportunities for speculators. Floating, in my own view, might be more appropriate for the market, because it's more adjustable to the changes in the market.

We're open for discussions, but I do not think that we can return to the old days; we are in a more diverse world, and the changes have been enormous in international markets. But, maybe people can sit down to have some discussions, to see

whether we can have something in between, to have the best of both worlds: floating rates, and fixed exchange rates.

EIR: You mentioned the economic cooperation between the United States and China. There is, as you mentioned in your comments the other day, a tremendous development program being undertaken: \$750 billion, I believe, is earmarked for investment over five or so years. This gives a great deal of opportunity to the United States, to participate as a capital exporter. How do you see the U.S. role in those projects, and why do you think that the United States has not played as great a role as other countries in investing in this program?

Liu: I think that the United States is the only superpower, the leading industrial country, and can really play a very important role in China's modernization program. China is embarking on a grand program of nation-wide construction, which some people refer to as the "New Deal" of China. The government will spend U.S. \$700 billion in infrastructure—housing, highways, roads, bridges, power plants, many major facilities. And, the United States really has the cutting edge in these areas, in terms of the capital, in terms of the technology, in terms of management experience, also in terms of the high quality of technicians. So, in all of these, the United States can play a very important and a leading role.

But, unfortunately, in the past decade, and we can even trace back to normalization in 1975, the potentials for the United States to be involved in China's construction and development have *not* fully been tapped. There are many obstacles. Number one is that there is still some Cold War mentality that exists in the United States. I think that some of the people in the United States still regard China as a potential adversary, and some people still do not want to see China become a modernized country. They are afraid that China will become the next Japan, will become the next Soviet Union, so, they don't want to throw their whole weight into this kind of cooperation. Some people in Congress live in the old days, and refuse to call China by its full official title—P.R.C.—and call China, "Red China," "Communist China"; they do not even refer to China as the People's Republic of China. That is a very few people, but sometimes they stir up old thinking, and that might have an impact on the policy toward China. And, unfortunately, we have so many examples of U.S. foreign policy which still are a reflection of the Cold War mentality.

The United States is the only country that has an annual review of MFN [Most Favored Nation trade status] for China. And, this practice is based on the trade law of 1974. Basically, there is only one condition for the renewal, which is free immigration; it's the Jackson-Vanik amendment. And, China is very much a free country in terms of immigration. The problem now does not lie in China, but in the United States.

I still remember vividly in the early days of normalization, Jimmy Carter, when he talked about MFN with Deng Xiaoping, said, "It's the law in the United States, we have to abide

by it. If you do not have free immigration, we cannot give you MFN." And Deng said, "How many people do you want: 1 million, 2 million? That's no problem for our part." Now we are really in this kind of situation, where there is a long queue every day at the U.S. Embassy. It is the U.S. government which rejects immigrant applications. In China, as a citizen, you can apply for immigration if you have good reasons. It is up to the U.S. government whether you can travel to the United States. So, in fact, technically speaking, this condition is no longer there. China should be entitled to permanent MFN. But, some people in the Congress simply want to make MFN an issue. They use it as a convenient tool to attack China, to attach conditions, to impose U.S. ideas and U.S. values on China, and to impose some restrictions on the administration's foreign policy.

Basically, they think MFN is a favor. I do not want to spend a lot of time on how we regard MFN as a mutual benefit. More and more people have that consensus. It's also on the increase in the United States, to have this MFN. But, this added debate really hurt the growth of economic exchange between the two countries. The business communities in both countries will be more reluctant to make any long-term planning. Business leaders need to have a more stable situation, one in which you can make long-term plans, long-term investment. Many investments are for thirty years, or twenty years, but they do not know whether one day, one year, China can be sure that it will have MFN. That's just one area that is still a cause—the debate on MFN. That's why the business community has to work so hard. They're not working for China's issues. They are working for their own interests, for American interests. So, when I read in the newspapers that *Business Week* has become the number-one lobbyist for China, that's a misperception. In fact, they are the number-one lobbyists for themselves.

And second, the export control regime. That is a very old idea, to regard China as an adversary. In fact, many computers sold to China are also available on the international market. Of course, the United States has an after-sale service, the quality of their products are still high, so that's why the United States' products are still competitive in China. But, this competitiveness was undercut by a lot of restrictions, so they lost many opportunities. Opportunity in economic terms is really the money, the profit. But, if you lost the opportunity, other people will get it in other countries.

Take nuclear cooperation. The United States is number one. It was the first country to sign an agreement with China on peaceful uses of nuclear energy, as early as 1985. But, we cannot implement it, because some people voice concern about China's nuclear export policy. So, other countries can contribute—Russia, Britain, France, Canada. Now we have several nuclear power plants in China. They are all in place. I do not foresee that in the coming one or three years we're going to build more. Maybe, when we have some plans for

the next century, then the United States will realize that it's time to learn to get into the Chinese market, but the market has already been divided among the other four nuclear countries. So, a lot of opportunities are lost.

Unfortunately, the United States still maintains sanctions placed on China in 1989, by the TDA, the Trade Development Agency programs, and also OPIC, the Overseas Private Investment Corp., which provides loan guarantees for American businesses. Because of the lack of this financial support by the U.S. government, U.S. companies' competitiveness cannot be fully realized in the very intense competition in China. The other countries won over their political leaders to throw very strong backing to their enterprises. Their governments provide more favorable loans, and the governments lend a stronger voice to their business communities. That's just not the case with the United States. There are so many restrictions, so many man-made obstacles. I hope that President Clinton's visit will provide us a good opportunity to give a stronger stimulus to promote the nation's economic interest in trade between the two countries.

On the one hand, we heard a lot of complaints from members of Congress, from some of the people in this country, from some circles in this country, about the trade deficit that the United States has with China. On the other hand, we heard a lot of debate, that they do not want China to have access to American high-tech exports. They still want to strengthen, rather than relax, export controls. Basically, China does not have some fancy idea about importing state-of-the-art technology from the American military. We do not have that desire. We simply want to import some technology for civilian use, to modernize China's economy. Of course, we want to buy more things from the United States. We want to buy agricultural products. We heard a lot of complaints about market access for agricultural products. But first, you have to remember that China is also an agricultural producer, too. It's an agricultural country. But, still, we want to diversify the supply of agricultural products for our 1.3 billion population.

Second, agricultural products do not consist of very-high-value exports in dollar terms. One big ship of containers of agricultural products cannot be worth but one Boeing aircraft, or dozens of computers. So, we do not want China to be only a market for American agricultural products. We need more technology for our modernization.

I should also mention here areas like telecommunications, information technology. The United States is the leading country, and can play a leading role.

EIR: An important aspect that has been emphasized is the military-to-military cooperation. Ironically, although you find a lot of rumblings from Capitol Hill which sound like the old days of the Cold War, the attitude of U.S. military figures is much different. Most military men I have spoken to feel

that this cooperation is very important. They're more supportive of this relationship than some of the people who speak loudest in the halls of Congress. How do you view the military-to-military cooperation, in terms of creating an understanding on both sides, of the intentions of the defense posture of the opposite country? This seems to me to be very important.

Liu: We think the military-to-military relationship between our two countries is an important component for the overall relationship. It's a program that serves the purpose of enhancing mutual trust, and also can serve the purpose of removing this so-called "China threat" mentality. I think that, in the past few years, the military commitment to the relations has come gradually. I think the two militaries can benefit a great deal from this.

Number one, I think that the military-to-military relationship can increase trust between the two militaries. The more they talk to each other, the more contact they have, the less threat they will feel from the other. Many people talk about transparency. I think from the military-to-military relationship, the U.S. military will know much better China's military situation. Two days ago, the *Washington Post* carried a story about the [satellite] technology transfer I referred to at my press conference. It is really China which transfers technology to the United States. I think after reading that report, your intelligence people feel comforted that China constitutes no threat to the United States. I think that, through this benefit from the relationship, the United States can know that China's military posture, China's doctrine, is no threat to the United States. China's defense is purely for defensive purposes, constituting no threat to the United States.

I think that, for the Chinese side to know much better the American defense posture, has mutual benefit. That can remove misconception, misunderstanding. China is very concerned about this strengthening of the United States-Japan defense treaty arrangements. I think the United States can explain to us, to the military, why you do not think it is a threat [to China]. Of course, it will take a painstaking effort for the United States to explain. Sometimes we heard different explanations from Japan, so it is really up to the United States, how you define this treaty agreement. So, that's a very important thing. I think that's the top priority for this military-to-military attitude to increase mutual trust and understanding.

Second, I think the militaries can have some cooperation as well. During President Jiang's visit, the two heads of state released a joint statement calling for strengthening this relationship and the cooperation. We have reached a maritime security consultation arrangements agreement. That's also very important. That concerns the purpose of removing miscalculation, mishaps, and incidents on the high seas. That also increases trust.

I think we are also talking about joint exercises for ship-

to-ship, air-to-ship humanitarian relief. China's military can really play a very important role in disaster relief. China's earthquake fighting, flood fighting—the PLA [People's Liberation Army] has a lot of experience to share with the American military, and the American military also has done a very good job in this area. The two militaries can compare notes, exchange their experiences, and maybe, in the long term, down the road, can someday have some joint exercises.

I think in the Hebei earthquake, the United States military provided two aircraft loads for disaster relief—equipment, goods to China, [delivered] by American military aircraft—and it was the PLA, the Air Force, that received that. I think it's a beginning of a joint exercise of this kind, of disaster relief efforts. It was covered on the major network in China, major newspapers, so that really sent a very good feeling. The military always has, apart from defense programs, a very supportive role, so that's why, when the heads of state meet, the arrival ceremonies always have a guard of honor. The review becomes symbolic. I think the symbolism of the American military sending disaster relief goods for the Chinese people, for the needy people in Hebei province, was really appreciated by the Chinese people, not only the local people, but people throughout China.

President Jiang has had frequent correspondence with

President Clinton. I remember in one of these letters, he expressed appreciation to President Clinton, to his government, to the American people, for sending food and supplies to the Chinese people.

Also, the Chinese government is making efforts to search for the remains of American servicemen who sacrificed their lives in the Second World War. I myself was involved in the handling of these remains, two years ago, at the Beijing airport. That also was broadcast in China in a major way. We received a lot of letters from Chinese people, who gave us information about locations of new findings of remains in the wreckage of American airplanes that crashed in the mountains during the Second World War. That really recalls some memories of the old days, when China and the United States fought shoulder to shoulder against their common enemies, for the peace of China, and also the Asia-Pacific region.

So, I think the military-to-military relationship can also tighten the bonds between our two peoples. In the days to come, we hope that there will be more exchanges between the militaries, from the top level, to talk about strategic doctrine and theory, and also on the working level, too. And now, there are more and more military visiting the United States, and more and more military people from the United States visiting China. I think that's a good sign.

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