

U.S. Ex-Im Bank sets up shop in Beijing

by William Jones

Secretary of Commerce William Daley and Director of the Export-Import Bank James Harmon signed on Dec. 18 an agreement by which the Export-Import Bank will appoint an Ex-Im Bank finance officer in Beijing. With more immediate access to key market information and local resources, the Beijing-based officer will play a key role in expanding U.S. market access in China by "advancing project finance discussion and providing enhanced and expanded support for U.S. exports and projects." Ex-Im is also the key government institution responsible for helping finance U.S. investment and export abroad.

The agreement also improves the ability of U.S. companies to invest in China. The presence of an Ex-Im officer in Beijing, and eventually one also in Shanghai, will give U.S. companies a greater reading on investment possibilities, as well as provide them an interface with the Chinese government. The Ex-Im office will upgrade the U.S. commercial presence in China substantially, according to one Commerce Department official. This is particularly the case with regard to project financing, whereby companies with guarantees from government institutions, as is standard procedure for European firms, have been more willing to embark on long-term investment projects than those without such guarantees.

The agreement is one of the brighter spots in the U.S.-China relationship, which reached a high point with President Clinton's visit to China in June, but where the follow-up has been slow in coming. The continued unravelling of the international financial system has affected many of the major industries that are heavily involved in the Asian market, the case of Boeing being a case in point. The President's opponents, in addition to gearing up an impeachment drive against him, have also been beating the drums over alleged transfer of sensitive technology to the Chinese through the rather modest U.S.-China aerospace cooperation. They have also been incessantly touting claims about alleged violations of human rights by the Chinese government, a campaign which Vice President Al Gore has made into a mainstay of his Presidential electioneering. Gore's attempt to foment a revolt against Malaysia's Prime Minister Mahathir bin Mohamad at the Asia Pacific Economic Cooperation meeting in Kuala Lumpur last November, cast grave doubt on the good intent of President's Clinton's Asia policy.

The global financial crisis in Asia has also prompted a more cautious policy by the Chinese government in opening

up its markets to foreign investment. Some U.S. investors grumble that foreign-exchange controls are delaying payments for services or products delivered. Yet, anyone expecting China to lift exchange controls any time soon are in for a disappointment. It was precisely the lack of such controls that led to the speculative moves by the George Soros-owned Quantum Fund and other hedge funds that brought down the Indonesian government and threatened the Malaysian government. It was only the quick imposition of exchange controls by Mahathir which prevented the hedge funds from completely destroying the value of the ringgit, Malaysia's currency. The significance of these events was not lost on the Chinese government.

Closing the U.S. trade deficit

The growing U.S. trade deficit with China, cited by those Republicans in Congress eager to sabotage the Clinton strategic partnership with China, is largely a case of the United States "shooting itself in the foot." The Chinese would like to buy more high-technology products from the United States, but such products are often subject to export restrictions, which these free-trade zealots are intent on making even more stringent. Even the launch of U.S. satellites on Chinese Long March rockets has come under the scrutiny of these "Cold War crusaders" eager to make of China a new "enemy-image."

And yet, the growing economic cooperation among Russia, China, and Japan following Chinese President Jiang Zemin's visits to these countries, focussed on the construction of the Eurasian Land-Bridge, an idea championed by Lyndon LaRouche and his wife Helga Zepp-LaRouche, offers the only real alternative. Daley acknowledged the importance of the project, at a press conference on Dec. 19 with Chinese Minister of Foreign Trade and Economic Cooperation Shi Guangsheng, at the 12th annual meeting of the U.S.-China Joint Commission on Commerce and Trade. Daley was asked by this writer about U.S. involvement in the Land-Bridge. "We are aware of the project," he said. "Alan Sterling, our chief commercial officer in Beijing, is here with us, and we have been made aware of this, and we will hopefully pursue this as an opportunity for U.S. companies as the project unfolds."

Minister Shi provided Daley with a list of several dozen major projects that China intends to initiate over the next year. In March, Daley will lead the first multi-agency infrastructure mission to China to promote U.S. trade and investment in China.

And yet, if such a policy is to succeed, it will require a much more active involvement by President Clinton to help eradicate some of the more anachronistic restrictions on much of the high-tech export from the United States to China. More fundamentally, it requires that the President work with China, and with Russia, on putting the current global financial system into bankruptcy reorganization, and replacing it with a New Bretton Woods agreement.