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Remarks to the Pacific Basin Economic Council

May 20, 1996

Thank you very much. Mr. Tooker, Mr. Fynmore, Mr. Lees, members of the administration, my fellow Americans, and our guests from all around the world. Welcome to Washington, and welcome to Constitution Hall.

For nearly three decades, the Pacific Basin Economic Council has stood on the cutting edge of trade, investment, and opportunity. Today, with 19 member nations from Mexico to Malaysia, you're an integral part of this vibrant Asia-Pacific community. I am especially grateful for your active support of APEC.

Today I am pleased to announce the appointment of three talented Americans to the new APEC Business Advisory Council: Frank Shrontz, Susan Corrales-Diaz, and Robert Denham. I also want to say a very special thank you to Les McCraw of the Fluor Corporation for his tremendous contribution to APEC's Pacific Business Forum over the last 2 years.

The world has changed a lot since 1967, when PBEC was founded. Superpower confrontation has given way to growing cooperation. Freedom and democracy are on the march. Modern telecommunications have collapsed the distances between us. The new global economy is transforming the way we work and live, bringing tremendous opportunities for all our peoples. So many of these opportunities and some of our most significant challenges lie in the Asia-Pacific region.

Today half the people on our planet live in Asia. China alone is growing by the size of Canada every 2 years. Asia contains four of the seven largest militaries in the world and two of its most dangerous flashpoints: the world's most heavily fortified border between North and South Korea, and the regional conflict in South Asia where India and Pakistan, two of America's friends, live on the edge of conflict or reconciliation. At the same time, the economies of East Asia have become the world's fastest growing, producing fully one-quarter of our planet's goods and services.

America has vital strategic and economic interests that affect the lives of each and every American citizen. We must remain an Asia-Pacific power. Disengagement from Asia, a region where we have fought three wars in this century, is simply not an option. It could spark a dangerous and destabilizing arms race that would profoundly alter the strategic landscape. It would weaken our power to deter states like North Korea that still can threaten the peace and to take on problems, including global terrorism, organized crime, environmental threats, and drug trafficking in a region that produces 62 percent of the world's heroin.

Our leadership in Asia, therefore, is crucial to the security of our own people and to the future of the globe. It is also important to our future prosperity. The Asia-Pacific region is the largest consumer market in the world, accounting already for more than half of our trade and supporting millions of American jobs. By the year 2000, auto sales in Indonesia, Malaysia, and Thailand could equal our car sales to Canada and Mexico. Over the next 10 years, Asian nations will invest more than $1 trillion in infrastructure projects alone. We can help to shape a region's open economic development, but if we sit on the sidelines, we could watch our own prosperity decline.

When I took office, I had a vision of a Asia-Pacific community built on shared efforts, shared benefits, and shared destiny, a genuine partnership for greater security, freedom, and prosperity. Given all the currents of change in the region, I knew then and I know now the road will not be always even and smooth. But the strategy is sound, and we have moved forward steadily and surely toward our goal.

With both security and economic interests so deeply at stake, we have pursued from the outset an integrated policy, pursuing both fronts together, advancing on both fronts together. Though the end of the cold war has lessened great power conflict in Asia and in Europe, in Asia, just as in Europe, a host of security challenges persist, from rising nationalism to nuclear proliferation, to drug trafficking, organized crime, and other problems.

To meet these tests in Europe, we are adapting and expanding NATO, emphasizing the Partnership For Peace, including a new and more constructive relationship with Russia which is, or course, both a European and a Pacific nation and, therefore, must be a partner in making

a stable and prosperous Asia-Pacific future as well.

Asia has not evolved with similar unifying institutions, like NATO, so we are working with Asia to build new security structures, flexible enough to adapt to new threats, durable enough to defeat them. Each arrangement is like an overlapping plate of security armor, working individually and together to protect our interests and reinforce peace.

Our security strategy has four fundamental priorities: a continued American military commitment to the region, support for stronger security cooperation among Asian nations, leadership to combat the most serious threats, and support for democracy throughout the region. To pursue that strategy, we have updated and strengthened our formal alliances with Japan, Korea, the Philippines, Australia, and Thailand. We have reaffirmed our commitment to keep 100,000 troops in the region.

Just a few weeks ago, we renewed our security alliance with Japan and moved to reduce the tensions related to our presence on Okinawa. Today, that security relationship is stronger than ever. We have reached a series of security access agreements, magnifying the impact and deterrent effect of our forward deployed force. We have supported the ASEAN nations in building a new security dialog[1] in a region long fractured by distrust. We have launched new security initiatives such as the four-party talks President Kim and I proposed in an effort to bring a permanent peace to the Korean Peninsula.

With our South Korean allies, we stopped the North Korean nuclear threat that had been brewing since 1985 when North Korea began to build a plutonium production reactor. Through firmness and steadiness, we gained an agreement that has already halted and eventually will dismantle North Korea's nuclear weapons program. Today, a freeze is in place under strict international supervision. And last month, we began the canning of North Korea's spent fuel. One of the greatest potential threats to peace is, therefore, being diffused with American leadership.

We are meeting today's missile threat to the region by building advanced ballistic missile defense systems to protect our troops and our allies. We have deployed upgraded Patriot missiles to South Korea. We are upgrading the 21 battalions of Patriot systems in Japan and jointly examining future requirements with the Japanese government. We recently reached an agreement with Taiwan that will provide them with a theater missile defense capability. And we are developing even more advanced systems for deployment in the next few years, such as the Navy Lower Tier, THAAD, and Navy Upper Tier programs. The latter two address longer range missile threats.

When China expanded its military exercises in the Taiwan Strait, we made clear that any use of force against Taiwan would have grave consequences. The two carrier battle groups we sent to the area helped to defuse a dangerous situation and demonstrated to our allies our commitment to stability and peace in the region. In the long run, we also strengthen security by deepening the roots of democracy in Asia.

Democratic nations, after all, are more likely to seek ways to settle conflicts peacefully, to join with us to conquer common threats, to respect the rights of their own people. Democracy and human rights are, I believe, universal human aspirations. We have only to look at South Korea, the Philippines, and Taiwan; the Cambodians who turned from bullets to ballots to build a democratic future; Burma's Aung San Suu Kyi and other courageous leaders in the area.

We will continue to support our shared ideals in Asia, as elsewhere, encouraging reform, shining the spotlight on abuse, speaking out for those whose voices are silenced. Reinforcing the security pillar of America's relationships in Asia also advances American economic interests. Security and stability unleash resources for human progress, saving for the future, investing in education and enterprise, expanding trade, drawing the region closer together, and making the case for peace stronger and stronger. As with our security strategy, our economic strategy in Asia employs all the tools available—multilateral, regional, and bilateral—to open markets and thereby create more opportunities and jobs for Americans.

Soon after I became President, as all of you know, I called for the first ever summit meeting of Asian-Pacific leaders. At that historic meeting in Washington State, leaders from China to Indonesia to Brunei embraced a common vision of an Asia-Pacific community of shared strength, prosperity, and peace. One year later in Indo-

[1] White House correction.

nesia, we made a landmark commitment to achieve free trade and investment in the region by the year 2020. And last year in Japan, APEC adopted an action plan to get there.

Next November in Manila, I am confident we will take steps toward concrete measures to lower trade and investment barriers. With APEC, NAFTA, our efforts in this hemisphere and the World Trade Organization, the United States is working to lead the construction of a new global trading system, a world of expanding markets and fairer rules in which America can thrive and people all over the world can have a chance to live out their destinies and dreams as well.

Country to country, we are restoring health and balance to our economic relations through firm negotiations and tough action where necessary, to open markets for our goods and services, today the most competitive in the world. In the past 3 years, our own exports have boomed. They're up over 35 percent to an all-time high, creating a million new jobs that consistently pay more than jobs that are not related to exports. I'm proud to say that once again our Nation is the number one exporting country in the world. You can see the results of our strategy in the progress we have made in working with our friends in Japan. Today we are selling more goods to Japan than ever before. Our bilateral trade deficit in the first quarter was down 25 percent from last year. Since 1993, our two nations have signed 21 trade agreements, focusing on sectors where America's competitiveness is strongest. Our exports in those 21 areas are up 85 percent, 3 times faster than the rest of our export growth in Japan.

In Tokyo today a consumer can drive to work in a Chrysler jeep, talk with a friend on a Motorola telephone, snack on an apple from Washington State, and have American rice for dinner. Of course, a Japanese speaker could say the same thing about an American using all Japanese products, but it's nice now that both of us can tell that story. Of course, our work is not done. We must achieve further progress. But we are making a real difference for American exports and jobs.

Finally, let me turn to our relations with China, for they will shape all of our futures profoundly. How China defines itself and its greatness as a nation in the future and how our relationship with China evolves will have as great an impact on the lives of our own people and, indeed, on global peace and security, as that of any other relationship we have.

China is Asia's only declared nuclear weapons State, with the world's largest standing army. In less than two decades, it may well be the world's largest economy. Its economic growth is bringing broader changes as steps toward freer enterprise fuel the hunger for a more free society. But the evolution underway in China is far from clearcut or complete. It is deep and profound, and today China stands at a critical crossroads. Will it choose the course of openness and integration or veer toward isolation and nationalism? Will it be a force for stability or a force for disruption in the world? Our interests are directly at stake in promoting a secure, stable, open, and prosperous China, a China that embraces international non-proliferation, and trade rules, cooperates in regional and global security initiatives, and evolves toward greater respect for the basic rights of its own citizens.

Our engagement policy means using the best tools we have, incentives and disincentives alike, to advance core American interests. Engagement does not mean closing our eyes to the policies in China we oppose. We have serious and continuing concerns in areas like human rights, nonproliferation, and trade. When we disagree with China, we will continue to defend our interests and to assert our values. But by engaging China, we have achieved important benefits for our people and the rest of the world.

We worked closely with China to extend the nuclear nonproliferation treaty and to freeze North Korea's nuclear weapons program. We welcome China's constructive position regarding the proposed four-party talks for peace on the Korean Peninsula. We are working with China to conclude and to sign a comprehensive nuclear test ban treaty by September. And we are cooperating to combat threats like drug trafficking, alien smuggling, and, increasingly, environmental decay.

Last week we reached an important understanding with China on nuclear exports. For the first time, China explicitly and publicly committed not to provide assistance to unsafeguarded nuclear programs in any country. China also agreed to hold consultations on export control policies and practices. We continue to have concerns about China's nuclear exports. This agreement provides a framework to help deal with those concerns.

Our economic engagement with China has also achieved real results. China's elimination of more than 1,000 quotas and licensing requirements has helped to fuel a rise of more than 200 percent in United States exports of telecommunications equipment since 1992. China has become our fastest growing export market, with exports up nearly 30 percent in 1995 alone.

Much remains to be done. Our bilateral trade deficit with China is too high, and China's trade barriers must come down. But the best way to address our trade problems is continue to work to open China's booming market by negotiating and enforcing good trade agreements. That is why we will use the full weight of our law to ensure that China meets its obligations to protect intellectual property. That is why we are insisting that China meet the same standard of openness applied to other countries seeking to enter the WTO—no more, no less. And that is why I have decided to extend unconditional most-favored-nation trade status to China.

Revoking MFN and, in effect, severing our economic ties to China, would drive us back into a period of mutual isolation and recrimination that would harm America's interests, not advance them. Rather than strengthening China's respect for human rights, it would lessen our contact with the Chinese people. Rather than limiting the spread of weapons of mass destruction, it would limit the prospect for future cooperation in this area. Rather than bringing stability to the region, it would increase instability, as the leaders of Hong Kong, Taiwan, and all the nations of the region have stated repeatedly. Rather than bolstering our economic interests, it would cede one of the fastest growing markets to our competitors.

MFN renewal is not a referendum on all China's policies, it is a vote for America's interests. I will work with Congress in the weeks ahead to secure MFN renewal and to continue to advance our goal of a secure, stable, open, and prosperous China. This is a long-term endeavor, and we must be steady and firm.

Where we differ with China—and we will have our differences—we will continue to defend our interests. We will keep faith with those who stand for greater freedom and pluralism in China, as we did last month in cosponsoring a U.N. resolution condemning China's human rights practices. We will actively enforce U.S. laws on unfair trade practices and nonproliferation. We will stand firm for a peaceful resolution of the Taiwan issue within the context of the one China policy, which has benefited the United States, China, and Taiwan for nearly two decades. But we cannot walk backward into the future. We must not seek to isolate ourselves from China. We will engage with China, without illusion, to advance our interests in a more peaceful and prosperous world.

Asia is in the midst of an historic transformation, one America helped to inspire and one we cannot afford to ignore. I have spoken today about challenge and change, but I pledge to you as President of the United States that one thing remains unchanging, and that is America's commitment to lead with strength, steadiness, and good judgment.

Working together with groups like yours and others, our nations can rise to the challenges of this time, reinforcing our strength and prosperity into the 21st century. We can build an Asia-Pacific region where fair and vigorous economic competition is a source of opportunity, where nations work as partners to protect our common security, where emerging economic freedoms are bolstered by greater political freedoms, where human rights are protected and diversity is respected. We can build a Pacific future as great as the ocean that links our shores. Let us pray that we have the wisdom, the courage, and the firmness to do that. I thank you for your dedication to that goal.

Thank you very much.

NOTE: The President spoke at 10:12 a.m. at Constitution Hall. In his remarks, he referred to Gary Tooker, vice chairman, Russell Fynmore, chairman, and Robert Lees, secretary-general, Pacific Basin Economic Council International; and Daw Aung San Suu Kyi, Burmese opposition leader and Nobel Peace Prize laureate.