

Remarks by Federal Reserve Board Chairman Alan Greenspan
The White House
May 18, 2000

The outcome of the debate on permanent normal trade relations with China will have profound implications for the free world's trading system and the long-term growth potential of the American economy.

Jim Leach, the Chairman of the House Banking Committee, a couple of weeks ago requested that I share with his Committee my perspective on PNTR for China. Let me read you my response.

The addition of the Chinese economy to the global marketplace will result in a more efficient worldwide allocation of resources and will raise standards of living in China and its trading partners. Should China accept the challenge of international competition embodied in World Trade Organization membership, it will doubtless promote internal economic development, encourage the adoption of modern technologies, and contribute to lifting its citizens out of poverty.

History has demonstrated that implicit in any removal of power from central planners and broadening of market mechanisms as would occur under WTO is a more general spread of rights to individuals. Such a development will be a far stronger vehicle to foster other individual rights than any other alternative of which I am aware. Further development of China's trading relationships with the United States and other industrial countries will work to strengthen the rule of law within China and to firm its commitment to economic reform. China's citizens will come to have greater choice about their lifestyles and employment and to enjoy enhanced access to communication and information from around the globe.

As China's citizens experience economic gains, so will the American firms that trade in their expanding markets. China's progress toward prosperity and accession into the WTO will create new opportunities for American businesses and farmers. China, with a population of 1.2 billion people, has an economy that when measured taking into account the purchasing power of alternative currencies is larger than that of Japan and may be approaching half the size of the U.S. economy. China's trade now accounts for 3 percent of world trade and should expand further in response to WTO participation. Our markets are already generally open to China and that will not be altered by PNTR. Passage of PNTR, however, will facilitate a further opening of China's markets to U.S. producers.

Accordingly, I believe extending PNTR to China and full participation by China in the WTO is in the interests of the United States.

Thank you, Mr. President, for having me here today to express my views on so vital an issue affecting our nation's future.