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The Bush family: Middle Kingdom rainmakers

By Zach Coleman

HONG KONG - George Herbert Walker Bush arrived in Beijing 30 years ago as the official United States representative to China with one goal above all else: expanding his buddy list.

"My hyper-adrenaline, political instincts tell me that the fun of this job is going to be to try to make more contacts," he wrote in his first diary entry. "And it is my hope that I will be able to meet the next generation of China's leaders - whomever they may be. Yet everyone tells me that that is impossible."

Bush Sr, already a champion networker, wasn't to be denied. In a final triumph at the end of his stay, Deng Xiaoping, then vice premier, threw a farewell lunch for Bush Sr and his wife.

"You are our old friends," said Deng, according to a Chinese government website. "You are welcome to come back anytime in the future."

Bush Sr and his relatives have turned that open invitation into a family franchise over the years, setting themselves up as gatekeepers between lucrative business opportunities created by the opening up of China's economy and the US corporate and political establishment. If Iraq is the place where the Bush men fight once they leave the oil fields of Texas, China is where they have made money.

China policy has been a hot-button issue in US presidential campaigns for more than half a century. This time around, many politicians are linking US job losses to the country's exploding trade deficit with China, leaving the family trade in promoting US-China commerce with the potential to embarrass President George W Bush in his 2004 re-election drive.

Bush Sr and his brother Prescott both lowered their profile in the family business last year. Yet the Bushes' business suddenly hit the headlines again in November, when documents and testimony from the divorce trial of the president's brother Neil showed that he had signed a contract to receive US\$400,000 a year from Grace Semiconductor Manufacturing, a Chinese company co-founded by a son of former president Jiang Zemin, in return for business information and advice. Fair enough, but Neil Bush has no background in technology. His brother's administration, however, is leaning on Beijing to reduce tax discrimination against imported

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semiconductors.

There is no evidence that Chinese companies or officials have influenced US policy under Bush Jr by playing up to his relatives. Indeed, last May, Bush Jr penalized China North Industries (Norinco), a company with which Prescott once worked, by halting Norinco's \$150 million annual export trade with the US for two years, after concluding that the company had shipped missile technologies to Iran.

Yet Chinese companies and officials continue to hold Bush family members in special regard.

Last month, the government Xinhua News Agency reported discussions that took place between President Hu Jintao and Bush Sr in Hainan Island province during the Boao Forum for Asia about "issues of common concern". Hu delivered the barely veiled message that the US needed to be more sensitive to China's position on Taiwan's independence in order to get more cooperation on the US priorities of trade and terrorism. Bush Sr replied, according to Xinhua, that Bush Jr "highly valued the important role that China has made in the efforts for peaceful solution to the nuclear issue on the Korean peninsula".

US companies also still see the Bushes as Middle Kingdom rainmakers. In December, Bush Jr invited a business group founded by Prescott to send 50 members to a reception on the White House lawn for visiting Premier Wen Jiabao. And a group of bankers and financiers travelled from the US with Bush Sr last month to an environmental protection conference in Shanghai that featured top officials from the standing committee of the National People's Congress and other government bodies, according to the Shanghai Star.

It all makes for a lucrative niche. There are no publicly disclosed figures on how much the family has made overall in the last three decades as China brokers. But the deals continue to add up.

Prescott Bush Jr:

Prescott Bush only made his first visit to China after his brother Bush Sr had moved into the White House as vice president in 1981. He quickly became a regular, leaving behind his 33-year career in the insurance brokerage business in preference for Chinese deal making. A 30 percent stake in one early project, an \$18 million golf club in Shanghai, gave Prescott the opportunity to strike up a friendship with then-mayor Jiang Zemin (who now heads the communist party's powerful standing committee of Central Military Commission).

Now 81, Prescott Bush still travels to China two to four times a year, according to the website of Plus Holdings, a Hong Kong-listed company focused on China, which hired Prescott as a special adviser three months after Bush Jr's inauguration. The website features Prescott's picture at the top of its home page. "He has many friends in China," the site says in its biography of the special Bush family adviser.

Prescott Bush Resources, his consulting company, has put together more than 30 joint ventures in China since 1978, according to the website of Global Access, a US consulting

company active in China, which retains Prescott as chairman of its advisory board. "Mr [Prescott] Bush has also facilitated meetings and approvals at the highest levels of the Chinese government," the site adds in its biography.

"I don't get a lot of business because my nephew is president or my brother was president," Prescott insisted in an interview with USA Today in 2002, though he admitted, "You can meet a lot of people because of it."

Prescott capitalized explicitly on the family tie-in by forming the US-China Chamber of Commerce in 1993 after serving on its predecessor, the Hong Kong-US Business Council, during his brother's presidency.

"My brother, George, has been instrumental in the development of US and China relations since 1974," he wrote in his letter to prospective members. The chamber pitches itself as a networking hub, which "provides the business communities in both countries with direct access to leading business people and government officials who are important in their business development efforts".

Members of the chamber's "Chairman's Circle" include US agribusiness giant Archer Daniels Midland (ADM) and Wanxiang America, whose parent company markets products made in China to US customers. ADM and Wanxiang are also among the China clients listed on Prescott's corporate biographies, which also typically mention Norinco, Anheuser-Busch and China National Cereals, Oils & Foodstuffs Import & Export Corp (Cofco).

In an e-mail reply to the Weekend Standard, Prescott said his work with Norinco consisted of trying to help the company secure the assistance of a US automotive manufacturer to set up a truck factory. "It was dropped because of lack of financing," he said. "My relationship with Norinco was finished long before 2000."

Norinco has operated under a cloud of suspicion in the US for years because of its links to the Chinese military and a case involving the smuggling of thousands of Norinco AK-47 assault rifles into the US in 1996. The Bush Jr administration last month slapped new sanctions on Norinco for its Iranian activities, which involved shipping missile technologies to Iran.

By contrast, as president, Bush Sr granted a "national interest" waiver to allow a deal to proceed for shipping \$300 million of Hughes Aircraft satellite equipment to China in December 1989, overriding sanctions imposed by Congress a month before in response to the Tiananmen Square incident - regarded as a massacre of peaceful demonstrators by most observers. Prescott had visited China just before his brother that February and returned weeks after the Tiananmen violence for talks with officials on several deals, including one for a US company pitching a satellite communications network that would utilize the Hughes equipment.

"We aren't a bunch of carrion birds coming to pick the carcass," Prescott told the Wall Street Journal at the time. "But there are big opportunities in China, and America can't afford to be shut out."

Then in April 2001, Prescott flew to Beijing hours after news broke

of a collision between a US spy plane and a Chinese fighter jet off Hainan Island. He was an invited passenger on United Airlines' first Chicago-Beijing flight, and stayed on in the country well after the other passengers had returned home.

He told USA Today a year later that he didn't get involved in the settlement that resolved the high-tension spy plan crisis during his stay. Certainly he had business to do.

Since Bush Jr's election, Prescott's China clients have closed a flurry of deals, including some with each other. Anheuser-Busch signed a deal in 2002 to ramp up its stake in Tsingtao Brewery and this month announced a HK\$1.1 billion (\$141 million) investment in Harbin Brewery. With Prescott Bush's help, ADM opened and expanded a slew of joint-venture factories - including some with fellow client Cofco - to become China's largest oilseed processor. In January, Wanxiang America took a stake in Sageworks, a US financial software company that appointed Prescott to its board of advisers in 2002, and took up Chinese distribution of its products.

Prescott himself, though, has kept a low public profile of late. He says he resigned the chairmanship of the US-China Chamber in April 2003 because "it was time to let younger people take over".

Neil Bush

As a member of the younger Bush generation, Neil only entered the China trade 10 years ago, setting up Interlink Management Corp as a matchmaker between US and Asian firms, especially the Charoen Pokphand Group of Thailand, a conglomerate controlled by a Sino-Thai businessman. Through Interlink, Neil helped CP Group form a joint venture with Koll Real Estate for a \$300 million mall in Shanghai and a joint venture with Beaulieu of America to sell carpet in China.

George Herbert Walker Bush

Since his presidency, Bush Sr has stayed out of the undignified business of actual deal making. Instead, he has been collecting hefty fees from US companies to be their icebreaker.

It's easy money. Companies pay Bush Sr \$125,000-\$150,000, plus first-class expenses for three, and must fly him over by private jet, according to his representative, Brooks International Speakers & Entertainment Bureau. In return, Bush gives a speech at a banquet or conference. His presence alone usually draws dutiful attendance by top Chinese officials, who are then chatted up by sponsors.

Companies that have hired Bush Sr to talk in China have included the CP Group, Arco, the Chubb Group, IMC Global and the Carlyle Group. Carlyle, a US investment firm, appreciated Bush Sr's 1998 China trip on its behalf so much it made him a senior adviser to its Asia advisory board the next year, a position he resigned from last October.

"If you're unknown in China and trying to get known, and you're trying to get a license there, having a former president at a reception might get people to come who might not come otherwise," a Chubb official told the Los Angeles Times. "We get to rub shoulders with them and get to know them better."

Chubb got its insurance license a year after Bush Sr's visit. Similarly, IMC closed a deal to sell fertilizer to a Chinese government agency two months after Bush Sr's talk at its Beijing conference.

With his son in office, Bush Sr's recent trips have more often been sponsored by Chinese government organizations. Last month's Shanghai conference was co-sponsored by the Association for International Understanding of China, the China United Nations Association and the US-China Foundation. The sponsors threw a birthday party for Bush Sr, who will turn 80 next month. The subsequent stop in Hainan Island, where Bush Sr met with President Jintao, came under the banner of the annual Boao Forum.

In 2002, the northern city of Tianjin, together with Business Week magazine, hired Bush Sr to headline a conference in the city. The Chinese People's Association for Friendship with Foreign Countries, an affiliate of the Foreign Ministry, picked up the tab for trips that year to Shanghai and Beijing and last October to Beijing. The association also co-sponsored a conference at Texas A&M University in November together with the university, its George Bush School of Government and Public Service and the George Bush Presidential Library Foundation that featured a who's who of past and present officials, such as former vice premier Qian Qichen, Secretary of State Colin Powell and Henry Kissinger. The Bush Foundation lists the Chinese government as a \$50,000-\$100,000 contributor in the lobby of the presidential library.

Regardless of who's picking up the tab, a visit by Bush Sr to China is usually an occasion to call on Jiang Zemin and, since his official retirement, his successors. On his October trip, his hosts hustled Bush Sr to separate sessions with Jiang, President Hu and Premier Wen. Bush Sr also met up with Jiang on Jiang's visits to Texas in 2002 and 2003.

Although he has not held a government post in 11 years and has been collecting fees for promoting China trade in the meantime, Bush Sr often speaks up on current US-China relations both at and away from his meetings. In 2000, he weighed in strongly in favor of US legislation that set the stage for China's entry to the World Trade Organization. A year later, with his son in office, he praised China's support for Bush Jr's anti-terrorism drive as "a rather courageous stand". In October, he told Hu that, in the words of Xinhua, "The US side understood China's concerns over the Taiwan issue."

Jiang Zemin made clear to a Washington Post editor two months after Bush Jr's inauguration what he expected from Bush Sr. "The father of President Bush, Bush Sr, came over to China many, many times and had many meetings with me in the seat you are now occupying," Jiang said. "We believe Bush Sr will definitely push Bush Jr to bring US-China relations to a new level."

George W Bush

Bush Jr arrived in China for a six-week visit on June 4, 1975, after finishing Harvard Business School and stayed through his 29th birthday. His father commented in his diary that his son was impressed by China's universal health-care system after getting

his tooth fixed for 60 cents - US.

As president, Bush Jr hasn't asked China for help in fixing the US health-care system, but he has drastically changed his policy toward China since the early months of his presidency. In those days, his administration focused on China as a strategic threat and the president had expressed unqualified support for Taiwan, even referring to it directly as a country. Relations reached a low point with the standoff over the return of the US spy plane and crew involved in the Hainan collision.

Bush Sr has sidestepped questions on how much he's talked to his son about China during his presidency. Outside the family, Bush Jr counts among his biggest campaign donors two businessmen deeply invested in China, Hank Greenberg of AIG and Sam Fox of the low-profile Harbour Group.

Certainly the Bush Jr administration's views on China have been affected by the need for Beijing's acquiescence to US actions in Iraq, Afghanistan and North Korea, countries that soared ahead of China as priorities after the September 11, 2001, terrorist strikes.

"He is able," Bush Sr recorded in his diary when his son left town in 1975. "If he gets his teeth into something semi-permanent or permanent, he will do just fine."

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