Case Number: 2008-0702-F

FOIA MARKER

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Folder Title:
China [Folder 1] [2]
Staff Office-Individual:
Speechwriting-Orzulak, Paul
Original OA/ID Number:
4022

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48	6	9	2	V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. clipping	Comments to Tom Rosshirt from Samuel Berger (2 pages)	01/18/2000	P5

COLLECTION:

Clinton Presidential Records
National Security Council
Speechwriting (Paul Orzulak)
OA/Box Number: 4022

FOLDER TITLE:

China [Folder 1] [2]

2008-0702-F
jm607

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Orzulak, Paul K. (SPCHW)

From: Lieberthal, Kenneth G. (ASIA)
Sent: Monday, January 31, 2000 5:57 PM
To: Orzulak, Paul K. (SPCHW)
Cc: @ASIA - Asian Affairs; @SPEECH - NSC Speechwriters
Subject: Auto Fix for SRB Speech [UNCLASSIFIED]

Paul,

The auto industry piece for Sandy's speech is more complicated than I had suggested. Let me give you the key items and leave it to you to determine what to do with them.

The current system imposes prohibitively high tariffs (80-100%) on car imports, effectively pricing them out of the market. To sell in China, therefore, a foreign car manufacturer must set up a joint venture with a Chinese partner that the Chinese government approves. All eligible partners for automotive assemblers are state enterprises. The foreign equity share cannot exceed 49%.

The foreign partner does have the right to have distribution and repair/maintenance facilities in China **for the cars they make there** (but not for any that are imported). But the foreign firm must make deals with various Chinese firms for various types of partnerships - all of which must be approved by the government - for the distribution and repair/maintenance units. In effect, therefore, no foreign firm actually directly controls and manages its own distribution and repair/maintenance network in China, and the quality of these things there is not nearly at our standards.

Under the WTO agreement the tariff will drop (by 2006) to 25%, thus no longer pricing imports out of the market. Foreign firms can set up their own distribution and repair/maintenance facilities totally under their own control and can do so for both imports and cars produced in China. Unlike now, moreover, foreign firms can provide automotive finance. All of these things should provide cheaper, better cars, better service, and therefore a larger auto market.

The issue of where jobs will be created is more complex. Essentially, the major automotive companies already have global operations and typically assemble cars in the region of the world (Europe, Latin America, Asia) where they plan to sell them. What gets shipped from the US is more likely to be either parts and components or CKDs or SKDs (complete or semi knockdown kits). Thus, the WTO will effectively **incorporate the China car market into the global operations of the US major car manufacturers**, rather than make that stand alone as an isolated market. This should increase US-based jobs and contribute more to the bottom line of US firms, but it generally will not involve having entire cars assembled here and shipped there (except potentially for some luxury vehicle lines).

Sorry for the complications, but this is where reality lies. Also, sorry that I did not nail this more accurately on my first go-around.

Ken

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Sutphen, Mona K. (NSA)

From: Orzulak, Paul K. (SPCHW)
Sent: Monday, January 31, 2000 3:43 PM
To: @NSA - Natl Security Advisor; @SPEECH - NSC Speechwriters
Subject: Revised SRB China remarks [UNCLASSIFIED]

Mona, if Sandy hasn't yet seen these remarks, please replace the copy he has with this version.

srb-china3.204.2x.doc

Thanks.

→ Paul —
Despite all the black ink, I think this is an excellent first draft. I think we can make it richer and more compelling. If you can't understand/read my comments, please call me. On some pts, I've suggested you work them through with Ken.

If possible, I'd like to see the next draft this afternoon. ~~If not~~ I have windows to work on it 1-2pm; 3-4pm 6-7pm.

B

(Should be 10-11 pp not 14)

1/31/00 3:30 p.m.
Orzulak

NATIONAL SECURITY ADVISOR SAMUEL R. BERGER
REMARKS TO
THE WOODROW WILSON CENTER
ON CHINA
WASHINGTON, D.C.
FEBRUARY 2, 2000

[little too numbie]

Speaking to the Wilson Center is always a daunting prospect. It brings to mind the story of the man who lived through the famous Johnstown flood. All his life, this man would stop and tell everybody he met the story of how he survived. When he died and went to heaven, he asked St. Peter to convene a crowd so he could tell them about the great flood. St. Peter said, "I'd be happy to. But you have to remember one thing - Noah will be in the audience."

There's more than one foreign policy Noah in this distinguished audience.
~~That's a little bit how it feels to address the Wilson Center.~~ ~~For more than 50 years, you have~~ ~~helped America think through the most difficult challenges we face in the world. In particular, I~~ ~~want to thank you President, Lee Hamilton~~, for the steady hand ~~he brought~~ to foreign policy ~~for~~ ~~more than 20 years~~ in Congress, with the emphasis always on patriotism, not partisanship.

For 20 years, he brought a

Indeed Lee Hamilton himself comes with an entire arc.

The Wilson Center has

Last week in his State of the Union address, ~~we heard the~~ President ~~give~~ gave a ~~powerful~~ compelling summary of the challenges America will face in the 21st century world. Looking ahead, ~~it's not hard to feel~~ ~~optimistic~~ there's good reason for optimism. America today is enjoying the longest economic expansion in its history. Our military strength is unchallenged. Our alliances are strong. Our values are ascendant. Eighty years after Woodrow Wilson hoped that American leadership would help make the world safe for democracy - today, for the first time in history, more than half the world's people live under governments of their own choosing.

But as the President said last Thursday, this is not a world without dangers to us. There is ~~a~~ the ~~chance~~ prospect that our security ~~could~~ will be threatened by regional conflicts that pose the risk of a wider war. There is ~~a~~ the danger that the march of technology will give terrorists and hostile nations the x 2 et al

means to undermine our defenses, and force ~~us~~ to live once again ~~again in fear.~~ There is a chance that the stability of the 21st Century will be threatened by an ever-widening gap between rich and poor. And of course, there is the possibility that our former adversaries Russia and China will fail to emerge in this century as stable, prosperous, democratic partners of the United States.

Today, I want to talk about China. ~~For many years now~~, Since President Nixon went to China in 1972, American policy toward this emerging power through Presidents Republican and Democratic have ~~has~~ been guided by ~~constant~~ consistent goals: ~~Abstract~~ to develop a constructive relationship between the U.S. and China, initially as a ~~counter~~ counterweight to the Soviet Union and later in recognition of China's growing importance in its own right. As part of that engagement, we'd like to see a China with an economy that is open to American products, farmers, and businesses. A China whose people have access to ideas and information. A China that upholds the rule of law at home and ~~plays by~~ adheres to global rules on everything from nuclear non-proliferation to human rights to trade.

This year, we have an unprecedented opportunity to take a giant leap forward on those goals. The opportunity, of course, is China's entry into the World Trade Organization.

But before America can realize the benefits of Chinese membership in this institution, Congress must answer a simple question: will it grant China permanent Normal Trade Relations status, which, in effect, is our part of the deal we reached, and the same arrangement we have given to every other country in the WTO? Or will Congress turn its back on the most sweeping changes China has agreed to make in decades and risk actually losing ground on the issues we care about?

This will be an intense -- and intensely important -- ~~We know that this is going to be a difficult~~ debate. ~~because there are a lot of~~ people on both sides of the aisle who have legitimate concerns about China. But let me take a few minutes today to talk about why supporting this agreement - and ~~voting yes on~~ for permanent NTR for China -- ~~is the right thing to~~ do. is not only in our economic interest but, more importantly, in our national security interest.

Every debate on a trade agreement begins with a simple question: ~~will our nation be better off with it, or without it?~~ Will our economy and our workforce benefit from the terms we've negotiated, or will they suffer? From an economic perspective, there is no denying that this agreement ~~is an absolute home run for America.~~ strongly benefits the United States.

For more than a decade, China has had extraordinary ~~significant~~ access to our markets, while its markets have been in many ways closed to American products and services. Indeed, we ~~have~~ ran ~~at~~ a $xx billion ~~defic~~ trade deficit with China last year -- our largest. ~~The important thing about~~ This ~~this~~ agreement ~~is that~~ requires China ~~makes~~ to make major ~~huge~~ new concessions to open its market to America, but we make no new market opening concessions to China. ~~promise only to maintain the market access policies we already apply to Chinese goods. So~~ Thus rejecting this agreement would in no way limit China's access to our markets. It would only continue to limit our access to China, ~~and ensure~~ ensuring that our trade deficit remains high.

Over the past 20 years, U.S. exports to China have grown from negligible levels to more than $14 billion in goods and services each year and now supports up to 400,000 American jobs. These figures will grow substantially with the new access that the WTO agreement creates.

[Condense pp 3-6 to 1-2 pages - This is speech about non-economic benefits]

On key agricultural products, China's tariffs will drop by 60 percent by January 2004 - dramatically expanding export opportunities for our farmers who grow bulk commodities like wheat, rice, and corn. Tariffs on industrial products will drop by nearly two-thirds. Both our manufacturers and our farmers will gain the right to distribute freely inside China, without going through state trading companies or middle men. And on products such as computers, semiconductors, and Internet-related equipment, tariffs will shrink to zero by the year 2005. Our information technology firms lead the world and stand to do very well in China's huge, information-hungry market.

Tariffs will drop dramatically on everything from x to y to z

The agreement also opens China's market for services, including distribution, insurance, telecommunications, banking, professional and environmental services. Here, too, American firms are world leaders and will find tremendous opportunities in China.

And it directly responds to concerns raised by Republicans and Democrats alike about unfair trade practices in China, with safeguards against import surges, protections against "dumping," and an end to Chinese practices -- such as forced technology transfers and local content requirements - that drain jobs, investment and technology from the United States. [This means that our businesses will be able to export to China from home, rather than being forced to set up factories in China to sell products there.

That is what this agreement means in principle. Here is what it means in practice.

Consider the auto industry. Right now, a car made in Dearborn faces an 80 to 100 percent tariff before it can be sold in China --which prices us right out of the market. So if you want to sell cars in China, you need to base your operations in China. And what you do is, you find a Chinese middle-man, a state-run firm -- because American firms aren't allowed to directly own anything in China - and you contract to have an equity stake in the company. But then, to sell your cars, the law says you have to transfer a huge amount of your technology to China, and teach the Chinese how to use it -- which essentially means you are transferring both your product and your training to your eventual competitors. It's also against the law in China to import American car parts, so you have to work with Chinese vendors to set up components processors, and train them how to make those, too.

In addition, Americans are not allowed to run distribution centers in China, so once your parts are made, it is in the hands of the Chinese to sell those, too. Americans are not allowed to set up service centers, either. Since there is no real service industry, in many cases, Chinese buy cars with the understanding that they have to learn how to fix them too - if they can get the parts. Of course, all that assumes that the Chinese can buy the cars in the first place, because the only financing that is allowed in China is through state-run banks - and they don't make loans for cars. Little wonder that there are many times more bicycles in China than automobiles.

Under the new agreement, it's completely different. Tariffs on American cars fall by nearly 75 percent, so we can compete in Chinese markets. The requirement that we have to link up with state-operated enterprises is eliminated. So is the requirement that we have to transfer our own technology. And, American manufacturers will now be free to use parts made in America for

~~4~~ 5

assembly in China, to set up their own distribution centers, and to run their own service shops - which means, for the first time, Chinese who buy cars will actually be able to get them fixed by American manufacturers. On top of that, China also agreed to let American car companies like GM and Ford set up financing operations in China itself, to help Chinese citizens buy our cars.

From our perspective, it means that we're going to sell a lot more American-made and American-assembled cars in China, which means a lot more jobs in America. In return, the Chinese people end up with much better products at lower prices.

Take that example and multiply it out across all of our other industries - from manufacturing to high-tech to insurance to agriculture - and you begin to get an idea of how much this deal could mean to both the American and Chinese economies. You also realize it won't take long to see American exports to China rise rapidly.

That is what America gets under the trade agreement we negotiated last fall. All we are required to do in return is to grant China permanent normal trade relations status, to bring China into the WTO. It's important to understand what that means: permanent NTR is not a favor to China, it is the best way to level the playing field. It is the same arrangement we have with the other 135 nations who are our partners in the WTO. It is the entry fee that nations pay to join the world trading system. And it is a reciprocal agreement (yes, China must also grant us PNTR). It simply means that we will give China the same tariff schedule we apply to most every other nation in the world, and China will give us the same. If we do not do this, WTO rules do not apply to our access to the Chinese market.

Of course, passing permanent NTR with China does not mean that Congress is permanently barred from ever revisiting the issue of Chinese trade. Congress always has the authority to adjust our trading relationships with any nation, as well as any other part of our relationship with

China, and that's the way it should be. What it will do is get us out of the cycle we are now in, where the future of Chinese trade comes up for a vote every single year in Congress.

The economic benefits of this deal to America are clear: If Congress votes yes on PNTR, we will get more open markets and more American jobs. If Congress votes no, it would deny American firms the ability to enter the Chinese market under WTO rules, and cancel the special import protections and vastly expanded trading rights that we negotiated. As a result, American farmers and firms would almost certainly be put at a tremendous competitive disadvantage against European and Japanese competitors as they stake out privileged positions in one of the 21st Century's biggest markets. Without permanent NTR, America would become the only major country that gets left behind. And since our agreement is designed to serve as a template to other nations governing China's entry into the WTO, China may take a "no" vote as an opportunity to back off from their most far-reaching promised reforms.

for me, that is the beginning of the argument for this agreement, not the end.

But ~~that is not the end of the argument.~~ ~~This agreemen~~t is as vital to our national security, For I am convinced that it ~~properly understood~~, as it is to our economic security.

As a nation, we have a tremendous stake in how China evolves. ~~A large part o~~f our future is substantially tied to Asia. The stability of Asia – economically, politically and militarily - is ~~tied directly to~~ inextricably entwined with the stability and direction of China, the largest nation in the world. As China develops, the light it shines or the shadow it casts will be felt very far from its own borders.

China will write that future as it asks some fundamental questions: ~~Today, we face some fundamental questions~~: will China become an open society that respects the human rights and freedoms of all its people - or will it continue to operate behind a ~~great~~ wall of secrecy, repression, and fear? Will it come to grips with the need for economic reform to ensure its own viability in this increasingly globalized world - or will it be a nation unable to deal successfully with its own problems, facing potential decline from within? Will it become a constructive participant in the international community, contributing its wealth and strength to

[I like the comparison but "light it shines" a little too beneficent]

[Work w/ Ken to sharpen these Q's. it is reforming; will it unleash the necessary ingredient of sustained growth in information age: access to knowledge and unfettered thought? It has extended some freedoms. Will it gain resilience and stability that can only come from permitting opportunities for voices to be heard?]

common global endeavors, or will it threaten the freedom and security of its neighbors? ~~Only~~ Ultimately,

The answers will come from China ~~can answer those questions~~s. But we have an enormous stake in encouraging it to choose ~~wisely~~ the path of integration and reform, not isolation and ?. And bringing China into the WTO will help.

To understand why, we need ~~to see~~ a clear-eyed view China clearly -- neither through rose-colored glasses, or through a glass darkly. We need to look at its progress and its problems, its system and its strains, its policies and its perceptions of us, of itself, and the world.

In the last 20 years, China has made remarkable progress in building a new economy, lifting more than 200 million people out of absolute poverty. [few more (+) facts] But China faces ~~many~~ daunting problems as well. Its working age population is increasing by more than 12 million people - equal to the population of New England - every year. Tens of millions of peasants are migrating from the countryside, where they see no future, to the city, where only some find work. China's political system has become plagued by corruption. Its environment is severely stressed, with ~~crippling water shortages~~ more people dying of respitory diseases than any other cause [ck]. And China's economic growth has slowed just when it needs to be rising to create jobs for the unemployed and maintain support for economic reform. (is this still true?)

For all the progress of China's reforms, private enterprise still accounts for less than [20 percent of its non-farm economy.] how much overall? ~~State-held stock still account for a vast majority of all the equity issued by companies listed on China's stock exchange.~~ Much of China's landscape is still dominated by unprofitable, polluting state industries. China state banks are still making massive loans to struggling state firms, the sector of the economy least likely to succeed.

Chinese top leaders understand that far reaching economic changes are needed, ~~and in many ways are trying to make them. They also know that in the short run, economic reform is likely to cause more unemployment, and risk social unrest. But so far they have been unwilling to open China's political system, because they see that as contributing to instability when, in fact, giving people a say in their decisions actually increases popular tolerance for facing hard realities.~~ stability - stab[illegible]

but they also know that such change is both essential and risky. It is risky because economic reform and opening China's [non-modern] economy to global competition is likely to cause more unemployment and the specter of social unrest. But, interestingly, China's leaders also understand that it is essential because China cannot make the next leap in economic development unless it develops world class industries and products that can compete in the global, knowledge-based economy.

First, it means that China's leaders have chosen to open their economy despite the risks they understand very well. Do we really now want to reject that choice? Second, as

What does this mean for us? ~~As~~ the President has said, "if we've learned anything in the last few years from Japan's long recession and Russia's current economic troubles, it is that the weaknesses of great nations can pose as big a challenge to America as their strengths. So as we focus on the potential challenge that a strong China could present to the United States in the future, let us not forget the risk of a weak China, beset by internal conflicts, social dislocation and criminal activity, large-scale illegal emigration, and loose nukes, becoming a vast zone of instability in Asia." ~~Indeed, we've already begun to see in China some of the problems a society can face when it is moving away from the rule of fear, but not yet firmly rooted in the rule of law -- from the stirrings of ethnic tensions to the rise of organized crime to the use of Chinese territory for drug trafficking.~~

Can't have stability w/ status quo — may be what Chinese leaders know & beginning to recognize can't have stability by maintaining the status quo.

Our interest lies in encouraging ~~chinese~~ both Chinese stability and its change ~~China to maintain stability and growth at home~~ by ~~meeting~~, not ~~stifling~~ stifle, the growing challenges it faces. Bringing China into the WTO will help in three ways.

encouraging it to meet

First, this is not simply an agreement to expand trade between our two countries. It will obligate China to deepen its market reforms, and empower leaders who want their country to move further and faster toward economic freedom.

One thing we have learned in the global economy is that nations can move from an agrarian ~~society~~ economy to a low-tech ~~labor intensive~~ ~~society~~ the economy fairly easily. But it's ~~a~~ far harder step to move from making textiles in a closed system to making cars and high-tech consumer products that people want to purchase. ~~Take the ex. → In the 1970's and 80's [ex], it~~ ~~One example is South Korea, who tried to grow behind the walls of protection. When it opened its market, it collapsed, because it was making a lot of things that nobody wanted to buy.~~

[There is now some redundancy top & I added at bottom p. 7]

Premier Zhu Rongji and other reform-minded leaders in China ~~know the South Korea example well. They~~ understand that opening their markets by lowering tariffs and other barriers exposes China's state-run industries to competition; many ~~of which~~ will not be able to compete without fundamental changes in ownership and management. But they also understand that forcing firms to compete is something China must do to sustain its growth. ~~meet its challenges.~~ With this WTO agreement, they ~~will have the leverage to say: we must make this change because we have a legal obligation to do so.~~ lock themselves in to a path that requires reform for Chinese enterprise to prosper. ~~Let's go back to that auto industry example I gave a few minutes ago. The state run auto industry in China is afraid of this agreement. Why? Because it knows that when Ford and GM and Chrysler start to sell cars at competitive prices in the Chinese market, many state-run firms will go belly-up. They just can't compete with our automotive efficiency and quality. But reformers in China are also betting that those firms which do adapt and survive will become global players.~~

In some places, China has already seen the positive effects of competition. Six years ago, the American insurance company ~~giant~~ AIG won the right to sell insurance in Shanghai. Almost immediately, it captured 30 percent of the market, because it offered services like life and risk insurance that Shanghai had never seen before. But it didn't take long for the Chinese companies to learn what kinds of insurance products are attractive ~~you need~~ in a market economy, and they diversified. Today, AIG has a bigger market than six years ago. But its 11%, not 30% because the market increased as Chinese companies offered similar services. ~~just 11 percent of the market, but it's a much bigger market~~ ~~but its just 11%~~ Meanwhile, tens of thousands of people in Shanghai enjoy the benefits of things like life insurance that they never had before.

The introduction of competition results in natural pressure for progress. A decade ago, China's best and brightest college graduates sought ~~would seek~~ jobs in the government, in large state-owned firms or state-run research institutions or universities. More and more, the best and brightest are either starting their own companies or choosing to work for foreign-invested companies -- where they generally get higher pay, a better work environment, and a chance to get ahead based on merit, not political connections.

Industry surveys show that U.S. companies are the leaders in the Chinese market in developing human resources -- by emphasizing teamwork and respect for individual rights. More and more, Chinese firms are learning that unless they change their working style and treat employees with respect, they will lose out in the critical war for top talent. ~~The~~ This process will only accelerate as China joins the WTO, and we should do all we can to encourage it.

Second, by accelerating economic change, the agreement we reached also has the potential to [move] China to evolve into toward a more open and free society.

In the past, the Chinese state was employer, landlord, shopkeeper and news-provider all rolled into one. This agreement will accelerate a process that has already begun to remove government from vast areas of people's lives.

Take Shanghai, for example, the city that has been most open to international influence. Ten years ago, it was illegal for people in China to own their own homes. Today, 25 percent of Shanghai residents are homeowners. Ten years ago, there were no supermarkets, and citizens had to buy food from state-run outlets using coupons. Today, there are more than 1,000 supermarkets and no more rationing of food. A decade ago, Chinese citizens could rarely travel in or out of their own country. Last year, on New Year's Day, airlines added more than 250 flights to international destinations from Shanghai alone. ~~As the President has pointed out,~~ China has ~~also~~ seen the emergence of professional associations, consumer groups, tenant organizations, newspapers that expose corruption, and experiments in village democracy. ~~And, it has seen workers demanding representation and a growing number of people seeking the right to form political parties, despite the persecution they face. We met with many such agents of during the President's most recent visit to China.~~

Let me be clear:
~~T~~these ~~kinds of~~ developments do not mean that the people of Shanghai enjoy political freedom. ~~Last week's announcement by Beijing that the government is cracking down on Internet use is the latest troubling reminder of its insecurity and fear of greater openness.~~

partly for p B

~~The Chinese government~~ [need strong hr section here:
① For all the personal freedom, Chinese authorities brook no organized political dissent or opposition. No challenge -- real or imagined -- to Communist Party. Democracy Party activists [ck]. Falung Gong.
② Because CP lacks legitimacy of elections, & it seeks to maintain (over)

its grip through suppressing other voices

(2) Trade and economic reform are not sufficient ~~bas~~ for policy for U.S. Need to speak up for those fighting for freedom. Because their voices are silenced, ~~are~~ ours must be heard. Geneva/UNHRC. They are heard; not alone.

(3) But, do believe that, over long term, trade/economic reform/opening to the world has liberalizing influence

economic reform,
integration
↳ transitions rate
Internet ?

hr Internet
SRB post
Indeed,
Tom

But the Chinese government is pushing back against these changes only proves ~~that the~~ changes are real - and deeply threatening to the status quo. This kind of repression is not an argument for slowing down the effort to bring China into the world; it's an argument for accelerating it.

end with

Not just That ~~The~~ WTO agreement will ~~in fact~~ help ~~to~~ bring the information revolution to cities and towns across China. A year ago, China had two million Internet users. Today, ~~according to the Chinese government's own statistics~~, it has nine million. The agreement will open China's telecommunications market to American technology and American firms. Soon, people in some of the most remote villages in interior China will have access to CNN. Indeed, some already do. And as they become more mobile, more prosperous, and more aware of alternative ways of life, they will seek a stronger voice in shaping their destiny. [Here: internet point. Outrageous that Chinese authorities try to crack down on internet. But also futile. Cracking down on internet is like ... [metaphor about activity that is counter-productive, produces more than 24 desktops] ~~This is the central irony of the change that China is undertaking today~~. In the information ~~economy that China is moving toward~~, Even more importantly, you cannot expect people to be creative economically and repressed ~~politically~~. Nations that are finding success in the global economy ~~are nations that~~ encourage creative thinking and risk taking. They are driven by knowledge and so they must ~~and social mobility, that are ruled by law, and that~~ invest in education. ~~They are also finding~~ And nations that adjust best to the global economy discover that people are far more willing to tolerate wrenching economic change when they have a say in the decisions that affect their lives - ~~just ask the former rulers of Indonesia. As China moves down the path of economic reform, eventually its leaders will face a moment of truth on the question of political reform~~. compare the fates of the governments of Indonesia and South Korea as they faced the Asian financial crisis. Bringing China into the WTO doesn't guarantee it will make the right choice on political reform. But by accelerating the process of economic change, it will make the imperatives for that choice far more powerful.

Way to nail jello to a wall.

as China opens to the information economy, it can succeed only as it liberates the mind and empowers the individual.

This agreement will advance our national security interests in a third way as well: it increases the chance that in the new century China will be on the inside of the international system, playing by the rules, instead of on the outside, denying them.

~~11~~ 12

Under the terms of this agreement, the Chinese government is obliged to publish laws and regulations and subjects some of its most important decisions, for the first time, to the review of an international body. Why does that matter?

Quite simply, ~~it allows the international system to bring pressure to bear more effectively to influence China's policies. And~~ it applies to China the basic principle at the heart of the concept of the rule of law: that governments cannot behave arbitrarily at home or abroad, that their actions are subject ~~to limits and to rules~~ consistently applied. Remember, China is choosing to embrace these obligations. ~~That~~ in turn, (if they want to grow) they will be required to accept ~~should lead to greater acceptance of~~ international judgements of whether it is playing by the rules; they will be forced ~~and may create a mindset that accords greater legitimacy for the same principle in other areas, such as non-proliferation and human rights.~~ to adopt ~~greater~~ laws and procedures at home that afford international investors and businessmen predictability and protection against arbitrary action.

It's fair to ask: how do we also know China will do what it promised to do in the agreement we signed? Of course, we cannot know for sure. But we do have reasons to believe that it will.

INSERT: Why do we think evolution of protection for property rights will lead to improved protection of personal rights? Might discuss w/ Ken if an answer that needs to go here) — or more, chink the armor of communist ideology that nobody has rights [illegible], once you recognize that any segment of society has the right not to be [illegible] by the state, you undermine the communist system.

First, China is pledging to open its economy and its markets not just as a means of getting in the WTO, but because most of its leaders believe reform is in China's interest. I find it encouraging that in recent months the Chinese have asked for our advice and technical assistance to better understand and live up to the terms of the WTO agreement. [not too strong]

Second, as a member of the WTO, China must submit disputes to that body for adjudication. Unlike today, if China violates its trade responsibilities under the WTO, ~~it~~ she will confront judgments backed by a 135-member body, rather than being able to chalk up friction to supposed U.S. bullying. Right now, if China treats our products unfairly, we have no recourse, short of pulling the plug on trade. This agreement increases our leverage with China in the event of a future trade dispute on everything from intellectual property to dumping. And it gives the forces of reform within China greater leverage to insist that China move in the right direction.

If you're an ordinary Chinese able to ask: if AT&T (can big suit against govt, why can't I do the same thing? If it proposes action that people have a right to hold its people accountable.

no

I know some people are convinced that China simply cannot be trusted to live up to its agreements~~, and I probably won't be able to change their minds today~~. Martin Lee, leader of Hong Kong's Democratic party , says that without entry to the WTO, "any hope for the political and reform process would also recede. And Chinese dissident Ren Wanding said upon the deal's completion: "Before, the sky was black. now it is light. This can be a new beginning."

[is this response to your Q?]

Obviously, China's interests and ours often will continue to clash. ~~will not always converge~~. But with 22 percent of the human race living within its borders, China must be a part of major global initiatives if they are going to work. If, for example, we are going to move the World Trade Organization to a broader recognition of its mandate - particularly with regard to labor and environmental rights - China will need to be part of that effort. (It would improve our leverage if China is on the inside looking out, rather than on the outside looking in.) repetitive

Let me make very clear: this agreement alone is not a human rights policy. It cannot by itself bring all the change in China we seek. That is why we must and will continue to speak out on behalf of the people in China who are persecuted for their political and religious beliefs. That is why we worked hard for the release of Dickinson College librarian Song Yongyi, who was released just last week in Beijing. That's why we sponsored a resolution last year in the UN Human Rights Commission condemning China's human rights record last year and why we're doing it again this year. We will continue to press China to respect global norms on non-proliferation; to encourage a peaceful resolution of issues with Taiwan; to urge China to be part of the solution to the problem of global climate change.

X p10

How will China change? I believe it will be a combination of internal pressures for greater voice and external validation of the human rights struggle by the international community. The WTO agreement will contribute to the former while we will maintain our leadership role in the latter. Our policy should no more be measured week to week or year to year than you could have measured our policy toward the Soviet Union - with which we continued to engage, even though it posed a much greater threat to us than China does today.

In other words, we must and will continue to protect our interests with firmness and candor. But we must do so without isolating China from the global forces empowering its people to build a better future. That would leave the Chinese people with less access to information, less contact with the democratic world, and more resistance from their government to outside influence and ideas. No one could possibly benefit from that except for the most rigid, anti-democratic elements in China itself. Let's not give them a victory by locking China out of the WTO.

The question is not whether or not this trade agreement by itself will cure serious and disturbing issues of economic and political freedom in China; the issue is whether it will push things in the right direction. President Clinton believes it will. Some of the most courageous proponents of change in China agree. [Martin Lee et al here?] It is our shared conviction that supporting this agreement ~~-- and voting yes on permanent NTR for China~~ -- is the right thing for America, and the right thing for China.

Let us have the wisdom to choose wisely. Thank you.

Sutphen, Mona K. (NSA)

From: Malinowski, Tomasz P. (SPCHW)
Sent: Thursday, February 03, 2000 7:08 PM
To: @NSA - Natl Security Advisor
Cc: @SPEECH - NSC Speechwriters; @ASIA - Asian Affairs; @PRESS - Public Affairs
Subject: china op-ed [UNCLASSIFIED]

For SRB:

Draft China op-ed, condensed from your speech. A bit long still for the Post or Times; probably OK for Wall Street Journal.

Comments to Paul, or me.

Doc1.doc

→ have haltingly chosen the first — way out, increasing reform

No one believes China will stop

— progress but deeply troubled

dilemma for leadership

A. – reform, though risk of political pressures

B. – or status quo – with bad consequences too

They've chosen A

who's weaker we reject that

if they unleash forces may be beyond their control

if they move ahead

– short term up

– political unrest

– sick firms

– workers on street

– pleasant morality

– increasing pressures for change we want them to

If they don't move forward,

– less competitive

– stagnate

Here's what it means

With this agreement, they have first chosen. Should we reject that choice – I expect it will have disproportionate impact on open sector

1

Draft China op-ed

This year, Congress will debate an agreement we reached last fall to permit China's entry into the World Trade Organization on terms that will dramatically open its markets in exchange for Permanent Normal Trade Relations status. The agreement requires China to lower tariffs dramatically on everything from agriculture to manufacturing to high tech -- while we have agreed only *to maintain the market access we already apply to China.* But bringing China into the WTO is about much more than trade: it will advance America's national security by encouraging the right kind of change within China.

Need another sentence on econ. benefit ~~over coming weeks~~ Over coming weeks, full discussion of benefits to Am worker/business... [some descriptive gains]

We have a tremendous stake in how China evolves. Not only is it home to one-fifth of the world's people -- the economic, military, and political stability of Asia is inextricably entwined with the stability and direction of China.

[people have greater control over lives phrase]

stet

might cut

China future revolves around a few fundamental questions: It has ~~extended some freedoms~~ but will it gain the stability that can only come from permitting opposing political voices to be heard? It is reforming its economy -- but will it unleash the necessary ingredient of sustained growth in the information age – access by its people to knowledge and unfettered thought? It has become engaged in the international community -- but will it to play by global rules and do its part to address global challenges? It is growing stronger -- but will it use that strength to build a more secure Asia, or to threaten the freedom and security of its neighbors? Only China can provide the answers. But we have a enormous stake in encouraging it to choose wisely -- and bringing China into the WTO will make a difference.

The essence of the auto example

First, the agreement we signed is not just about expanding trade. It will obligate China to deepen its market reforms and open its economy to the world.

China's top leaders understand that opening China's antiquated economy to global competition is likely to cause more short-term unemployment and the specter of social unrest. But they also understand that China cannot make the next leap in development without industries and products that can compete in the global economy. And the only way to produce competitive industries is to open the country to outside competition. With this WTO agreement, they have chosen to do just that, despite the risks it entails. Do we really want to reject that choice?

The introduction of competition results in natural pressure for progress
More and more, the best and brightest young people in China either are starting their own companies or choosing to work for foreign-invested companies -- where they generally get higher pay, a better work environment, and a chance to get ahead based on merit, not political connections. In turn, Chinese firms are increasingly learning that unless they change their working style and treat employees with respect, they will lose the top talent. This process will only accelerate as China joins the WTO, and we should encourage it because it will lift ~~the~~ standards for Chinese workers -- and their expectations.

Second, by speeding economic change, the agreement we reached has the potential to encourage China to evolve into a more open society. the flow of information, the pace of privatization and the pace of competition

In the past, the Chinese state was every citizens' employer, landlord, shopkeeper, and news provider all rolled into one. By advancing ~~privatization,~~ and competition, this agreement will accelerate a process that is removing government from vast areas of people's lives. By giving investors and property owners predictability and protection against arbitrary government action, it reinforces the idea that individuals have rights, and should bolster those trying to change China's legal system to make their government more accountable. And by opening China's telecommunications market, the WTO agreement will help bring the information revolution to cities and towns across China. weakest point standing alone: property rights not personal rights

China's government has recently been pushing back against the increasing flow of information to its people. But that just proves the changes China is undergoing are real – and threatening to the status quo. These repressive actions are not an argument for slowing the effort to bring China into the world, but for accelerating it.

Ultimately, China will have to come to terms with the fact that in today's global economy, people cannot be creative economically and frozen politically. Bringing China into the WTO won't guarantee it will choose political reform. But by hastening economic change, it will force China to confront that choice sooner, and make the imperative for the right choice more powerful.

This agreement will advance our national interests in a third way: it increases the chance that in the new century China will be on the inside of the international system, playing by the rules, instead of on the outside, denying them.

It subjects some of China's most important decisions, for the first time, to the review of an international body. It thus applies to China the principle that governments cannot behave arbitrarily at home or abroad, that their actions are subject to rules consistently applied. As China becomes a stakeholder in the WTO and other international regimes, it will be more likely to accept the legitimacy of international norms, and to define its future within the global community, not outside of it. And if China violates its commitments, it will confront judgments backed by all 135 members of the WTO, rather than being able to chalk up friction to supposed U.S. bullying.

one hard sentence on the practice

This agreement is not, by itself, a human rights policy for the United States. We must continue to speak out on behalf of people in China who are persecuted for their political and religious beliefs. That's why we sanctioned China as a "country of particular concern" under the International Religious Freedom Act last year. It is why we are once again sponsoring a resolution in the UN Human Rights Commission condemning China's human rights record. We will continue to press China to respect global norms on non-proliferation; to encourage a peaceful resolution of issues with Taiwan; to urge China to be part of the solution to the problem of global climate change.

We will continue to protect our interests with firmness and with candor. But we must do so in a way that does not isolate the Chinese people from the global forces empowering them to build a better future. For that would leave them with less access to information, less contact with the democratic world, and more resistance from their government to outside influence and ideas. No one could possibly benefit from that except the most rigid, anti-democratic elements in China itself. We must not give them a victory by locking China out of the global trading sytem.

This agreement will not by itself solve disturbing problems of economic and political freedom in China. But it does increase the chance that China will define its future within the international community, and move toward a more open society. It deserves the support of all Americans who share those goals.

Orzulak, Paul K. (SPCHW)

From: Lieberthal, Kenneth G. (ASIA)
Sent: Tuesday, February 01, 2000 11:36 AM
To: Orzulak, Paul K. (SPCHW)
Cc: Lieberthal, Kenneth G. (ASIA)
Subject: Chinese Stats [UNCLASSIFIED]

Importance: High

Paul,

To bolster the notion of astonishing economic growth in China, you cold note that China adds the equivalent of a Baby Bell every year and that later this year China will become the country with the largest wireless phone market. A decade ago it had no wireless phones.

On the issue of the size of the "private" sector of the Chinese economy, there are all kinds of definitional and statistical problems. What we can safely say is that about 20% of China's **manufacturing** is done by private firms.

Ken

1/31/00 3:30 p.m.
Orzulak

NATIONAL SECURITY ADVISOR SAMUEL R. BERGER
REMARKS TO
THE WOODROW WILSON CENTER
ON CHINA
WASHINGTON, D.C.
FEBRUARY 2, 2000

Speaking to the Wilson Center is always a daunting prospect. It brings to mind the story of the man who lived through the famous Johnstown flood. All his life, this man would stop and tell everybody he met the story of how he survived. When he died and went to heaven, he asked St. Peter to convene a crowd so he could tell them about the great flood. St. Peter said, "I'd be happy to. But you have to remember one thing - Noah will be in the audience."

That's a little bit how it feels to address the Wilson Center. For more than 50 years, you have helped America think through the most difficult challenges we face in the world. In particular, I want to thank you President, Lee Hamilton, for the steady hand he brought to foreign policy for more than 20 years in Congress, with the emphasis always on patriotism, not partisanship.

Last week in his State of the Union address, we heard the President give a powerful summary of the challenges America will face in the 21st century world. Looking ahead, it's not hard to feel optimistic. America today is enjoying the longest economic expansion in its history. Our military strength is unchallenged. Our alliances are strong. Our values are ascendant. Eighty years after Woodrow Wilson hoped that American leadership would help make the world safe for democracy - today, for the first time in history, more than half the world's people live under governments of their own choosing.

But as the President said last Thursday, this is not a world without dangers to us. There is a chance that our security could be threatened by regional conflicts that pose the risk of a wider war. There is a danger that the march of technology will give terrorists and hostile nations the means to undermine our defenses, and force us to live again in fear. There is a chance that the stability of the 21st Century will be threatened by an ever-widening gap between rich and poor. And of course, there is the possibility that our former adversaries Russia and China will fail to emerge in this century as stable, prosperous, democratic partners of the United States.

Today, I want to talk about China. For many years now, American policy toward this emerging power has been guided by constant goals: we'd like to see a China with an economy that is open to American products, farmers, and businesses. A China whose people have access to ideas and information. A China that upholds the rule of law at home and plays by global rules on everything from nuclear non-proliferation to human rights to trade. This year, we have an unprecedented opportunity to take a giant leap forward on those goals. The opportunity, of course, is China's entry into the World Trade Organization.

But before America can realize the benefits of Chinese membership in this institution, Congress must answer a simple question: will it grant China permanent Normal Trade Relations status, which is our part of the deal we reached, and the same arrangement we have given to every other country in the WTO? Or will Congress turn its back on the most sweeping changes China has agreed to make in decades and risk actually losing ground on the issues we care about?

We know that this is going to be a difficult debate, because there are a lot of people on both sides of the aisle who have legitimate concerns about China. But let me take a few minutes today to talk about why supporting this agreement - and voting yes on permanent NTR for China -- is the right thing to do.

Every debate on a trade agreement begins with a simple question: will our nation be better off with it, or without it? Will our economy and our workforce benefit from the terms we've negotiated, or will they suffer? From an economic perspective, there is no denying that this agreement is an absolute home run for America.

For more than a decade, China has had significant access to our markets, while its markets have been in many ways closed to American products and services. The important thing about this agreement is that China makes huge new concessions to open its market to America, but we promise only to maintain the market access policies we already apply to Chinese goods. So rejecting this agreement would in no way limit China's access to our markets. It would only continue to limit our access to China, and ensure that our trade deficit remains high.

Over the past 20 years, U.S. exports to China have grown from negligible levels to more than $14 billion in goods and services each year and now support~~ts~~ up to 400,000 American jobs. These figures will grow substantially with the new access that the WTO agreement creates.

On key agricultural products, China's tariffs will drop by 60 percent by January 2004 - ~~dramatically expanding export opportunities for our farmers who grow bulk commodities like wheat, rice, and corn~~. Tariffs on industrial products will drop by nearly two-thirds. Both our manufacturers and our farmers will gain the right to distribute freely inside China, without going through state trading companies or middle men. O~~And o~~n products such as computers, semiconductors, and Internet-related equipment, tariffs will shrink to zero by the year 2005. ~~Our information technology firms lead the world and stand to do very well in China's huge, information-hungry market.~~ [space cuts]

The agreement also opens China's market for services, including distribution, insurance, telecommunications, banking, professional and environmental services. ~~Here, too, American firms are world leaders and will find tremendous opportunities in China.~~

And it directly responds to concerns raised by Republicans and Democrats alike about unfair trade practices in China, with safeguards against import surges, protections against "dumping," and an end to Chinese practices -- such as forced technology transfers and local content requirements - that drain jobs, investment and technology from the United States. This means that our businesses will be able to export to China from home, rather than being forced to set up factories in China to sell products there.

That is what this agreement means in principle. Here is what it means in practice.

Consider the auto industry. Right now, a car made in Dearborn faces an 80 to 100 percent tariff before it can be sold in China --which prices us right out of the market. So if you want to sell cars in China, you need to base your operations in China. And what you do is, you find a Chinese middle-man, a state-run firm -- because American firms aren't allowed to directly own anything in China - and you contract to have an equity stake in the company. But then, to sell your cars, the law says you have to transfer a huge amount of your technology to China, and teach the Chinese how to use it -- which essentially means you are transferring both your product and your training to your eventual competitors. It's also against the law in China to import American car parts, so you have to work with Chinese vendors to set up components processors, and train them how to make those, too.

In addition, Americans are not allowed to run distribution centers in China, so once your parts are made, it is in the hands of the Chinese to sell those, too. Americans are not allowed to set up service centers, either. Since there is no real service industry, in many cases, Chinese buy cars with the understanding that they have to learn how to fix them too - if they can get the parts. Of course, all that assumes that the Chinese can buy the cars in the first place, because the only financing that is allowed in China is through state-run banks - and they don't make loans for cars. Little wonder that there are many times more bicycles in China than automobiles.

Under the new agreement, it's completely different. Tariffs on American cars fall by nearly 75 percent, so we can compete in Chinese markets. The requirement that we have to link up with state-operated enterprises is eliminated. So is the requirement that we have to transfer our own technology. And, American manufacturers will now be free to use parts made in America for assembly in China, to set up their own distribution centers, and to run their own service shops - which means, for the first time, Chinese who buy cars will actually be able to get them fixed by American manufacturers. On top of that, China also agreed to let American car companies like GM and Ford set up financing operations in China itself, to help Chinese citizens buy our cars.

From our perspective, it means that we're going to sell a lot more American-made and American-assembled cars in China, which means a lot more jobs in America. In return, the Chinese people end up with much better products at lower prices.

Take that example and multiply it out across all of our other industries - from manufacturing to high-tech to insurance to agriculture - and you begin to get an idea of how much this deal could mean to both the American and Chinese economies. You also realize it won't take long to see American exports to China rise rapidly.

That is what America gets under the trade agreement we negotiated last fall. All we are required to do in return is to grant China permanent normal trade relations status, to bring China into the WTO. It's important to understand what that means: permanent NTR is not a favor to China, it is the best way to level the playing field. It is the same arrangement we have with the other 135 nations who are our partners in the WTO. It is the entry fee that nations pay to join the world trading system. And it is a reciprocal agreement (yes, China must also grant us PNTR). It simply means that we will give China the same tariff schedule we apply to most every other nation in the world, and China will give us the same. If we do not do this, WTO rules do not apply to our access to the Chinese market.

Of course, passing permanent NTR with China does not mean that Congress is permanently barred from ever revisiting the issue of Chinese trade. Congress always has the authority to adjust our trading relationships with any nation, as well as any other part of our relationship with China, and that's the way it should be. What it will do is get us out of the cycle we are now in, where the future of Chinese trade automatically comes up for a vote every single year in Congress.

The economic benefits of this deal to America are clear: If Congress votes yes on PNTR, we will get more open markets and more American jobs. If Congress votes no, it would deny American firms the ability to enter the Chinese market under WTO rules, and cancel the special import protections and vastly expanded trading rights that we negotiated. As a result, Americans ~~farmers and firms~~ would almost certainly be put at a tremendous competitive disadvantage against European and Japanese competitors as they stake out privileged positions in one of the 21st Century's biggest markets. Without permanent NTR, America would become the only major country that gets left behind. And since our agreement is designed to serve as a template to other nations governing China's entry into the WTO, China may take a "no" vote as an opportunity to back off from their most far-reaching promised reforms.

But that is not the end of the argument. This agreement is as vital to our national security, properly understood, as it is to our economic security.

As a nation, we have a tremendous stake in how China evolves. A large part of our future is tied to Asia. The stability of Asia – economically, politically and militarily - is tied directly to the stability of China, the largest nation in the world. As China develops, the light it shines or the shadow it casts will be felt very far from its own borders.

Today, we face some fundamental questions: will China become an open society that respects the human rights and freedoms of all its people - or will it continue to operate behind a great wall of secrecy, repression, and fear? Will it come to grips with the need for economic reform to ensure its own viability in this increasingly globalized world - or will it be a nation unable to deal successfully with its own problems, facing potential decline from within? Will it become a constructive participant in the international community, contributing its wealth and strength to common global endeavors, or will it threaten the freedom and security of its neighbors? Only China can answer those questions. But we have a stake in encouraging it to choose wisely. And bringing China into the WTO will help.

To understand why, we need to see China clearly - its progress and its problems, its system and its strains, its policies and its perceptions of us, of itself, and the world.

In the last 20 years, China has made remarkable progress in building a new economy, lifting more than 200 million people out of absolute poverty. But China faces many problems as well. Its working age population is increasing by more than 12 million people - equal to the population of New England - every year. Tens of millions of peasants are migrating from the countryside, where they see no future, to the city, where only some find work. China's political system has become plagued by corruption. Its environment is severely stressed, with crippling water shortages. And China's economic growth has slowed just when it needs to be rising to create jobs for the unemployed and maintain support for economic reform.

For all the progress of China's reforms, private enterprise still accounts for less than 20 percent of its non-farm economy. State-held stock still accounts for a vast majority of all the equity issued by companies listed on China's stock exchange. Much of China's landscape is still dominated by unprofitable, polluting state industries. China state banks are still making massive loans to struggling state firms, the sector of the economy least likely to succeed.

China's~~ese~~ top leaders understand that far reaching economic changes are needed, and in many ways are trying to make them. They also know that in the short run, economic reform is likely to cause more unemployment, and risk social unrest. But so far they have been unwilling to open China's political system, because they see that as contributing to instability when, in fact, giving people a say in their decisions actually increases popular tolerance for facing hard realities.

What does this mean for us? As the President has said, "if we've learned anything in the last few years from Japan's long recession and Russia's current economic troubles, it is that the weaknesses of great nations can pose as big a challenge to America as their strengths. So as we focus on the potential challenge that a strong China could present to the United States in the future, let us not forget the risk of a weak China, beset by internal conflicts, social dislocation and criminal activity, large-scale illegal emigration, and loose nukes, becoming a vast zone of instability in Asia." Indeed, we've already begun to see in China some of the problems a society can face when it is moving away from the rule of fear, but not yet firmly rooted in the rule of law -- from the stirrings of ethnic tensions to the rise of organized crime to the use of Chinese territory for drug trafficking.

Our interest lies in encouraging China to maintain stability and growth at home by meeting, not stifling, the growing challenges it faces. Bringing China into the WTO will help in three ways.

First, this is not simply an agreement to expand trade between our two countries. It will obligate China to deepen its market reforms, and empower leaders who want their country to move further and faster toward economic freedom.

One thing we have learned in the global economy is that nations can move from an agrarian society to a low-tech society fairly easily. But it's a harder step to move from making textiles in a closed system to making cars and high-tech consumer products that people want to purchase. One example is South Korea, who tried to grow behind the walls of protection. When it opened its market, it collapsed, because it was making a lot of things that nobody wanted to buy.

Premier Zhu Rongji and other reform-minded leaders in China know the South Korea example well. They understand that opening their markets by lowering tariffs exposes China's state-run industries to competition, many of which will not be able to compete without fundamental changes in ownership and management. But they also understand that forcing firms to compete is something China must do to meet its challenges. With this agreement, they will have the leverage to say: we must make this change because we have a legal obligation to do so.

Let's go back to that auto industry example I gave a few minutes ago. The state run auto industry in China is afraid of this agreement. Why? Because it knows that when Ford and GM and Chrysler start to sell cars at competitive prices in the Chinese market, many state-run firms will go belly-up. They just can't compete with our automotive efficiency and quality. But reformers in China are also betting that those firms which do adapt and survive will become global players.

In some places, China has already seen the positive effects of competition. Six years ago, the American insurance giant AIG won the right to sell insurance in Shanghai. Almost immediately, it captured 30 percent of the market, because it offered services like life and risk insurance that Shanghai had never seen before. But it didn't take long for the Chinese to learn what kinds of insurance products you need in a market economy, and they diversified. Today, AIG has just 11 percent of the market, but it's a much bigger market. Meanwhile, tens of thousands of people in Shanghai enjoy the benefits of things like life insurance that they never had before.

The introduction of competition results in natural pressure for progress. A decade ago, China's best and brightest college graduates would seek jobs in the government, in large state-owned firms or state-run research institutions or universities. More and more, the best and brightest are either starting their own companies or choosing to work for foreign-invested companies -- where they generally get higher pay, a better work environment, and a chance to get ahead based on merit, not political connections.

Industry surveys show that U.S. companies are the leaders in the Chinese market in developing human resources -- by emphasizing teamwork and respect for individual rights. More and more, Chinese firms are learning that unless they change their working style and treat employees with respect, they will lose out in the critical war for top talent. That process will only accelerate as China joins the WTO, and we should do all we can to encourage it.

Second, by accelerating economic change, the agreement we reached also has the potential to move China toward a more open and free society.

In the past, the Chinese state was every citizen's employer, landlord, shopkeeper and news-provider all rolled into one. This agreement will accelerate a process that has already begun to remove government from vast areas of people's lives.

Take Shanghai, for example, the city that has been most open to international influence. Ten years ago, it was illegal for people in China to own their own homes. Today, 25 percent of Shanghai residents are homeowners. Ten years ago, there were no supermarkets, and citizens had to buy food from state-run outlets using coupons. Today, there are more than 1,000 supermarkets and no more rationing of food. A decade ago, Chinese citizens could rarely travel in or out of their own country. Last year, on New Year's Day, airlines added more than 250 flights to international destinations from Shanghai alone. [As the President has pointed out, China has also seen the emergence of professional associations, consumer groups, tenant organizations, newspapers that expose corruption, and experiments in village democracy. And, it has seen workers demanding representation and a growing number of people seeking the right to form political parties, despite the persecution they face. We met with many such agents of during the President's most recent visit to China.] – This was just meant as place holder – you should indicate that you want to "Shanghaize" this example.

These kinds of developments do not mean that the people of Shanghai enjoy political freedom. Last week's announcement by Beijing that the government is cracking down on Internet use is the latest troubling reminder of its insecurity and fear of greater openness.

But if the Chinese government is pushing back against these changes, that only proves ~~that~~ the changes are real - and deeply threatening to the status quo. This kind of repression is not an argument for slowing down the effort to bring China into the world; it's an argument for accelerating it.

The WTO agreement will in fact help to bring the information revolution to cities and towns across China. A year ago, China had two million Internet users. Today, according to the Chinese government's own statistics, it has nine million. The agreement will open China's telecommunications market to American technology and American firms. Soon, people in some of the most remote villages in interior China will have access to CNN. Indeed, some already do. And as they become more mobile, more prosperous, and more aware of alternative ways of life, they will seek a stronger voice in shaping their destiny.

This is the central irony of the change that China is undertaking today. In the information economy that China is moving toward, you cannot expect people to be creative economically and repressed politically. Nations that are finding success in the global economy are nations that encourage creative thinking and risk taking and social mobility, that are ruled by law, and that invest in education. They are also finding that people are far more willing to tolerate wrenching economic change when they have a say in the decisions that affect their lives -- just ask the former rulers of Indonesia. As China moves down the path of economic reform, eventually its leaders will face a moment of truth on the question of political reform. Bringing China into the WTO doesn't guarantee it will choose well~~make the right choice~~. But by accelerating ~~the process of~~ economic change, it will force China to confront that choice sooner, and make thes~~e~~ imperatives for the ~~at~~right choice far more powerful.

This agreement will advance our interests in a third way as well: it increases the chance that in the new century China will be on the inside of the international system, playing by the rules, instead of on the outside, denying them.

Under the terms of this agreement, the Chinese government is obliged to publish laws and regulations and subjects some of its most important decisions, for the first time, to the review of an international body. Why does that matter?

Quite simply, it allows us to ~~the international system to~~ bring international pressure to bear more effectively to influence China's policies. And it applies to China the basic principle at the heart of the concept of the rule of law: that governments cannot behave arbitrarily at home or abroad, that their actions are subject to limits and to rules consistently applied. Remember, China is choosing to embrace these obligations. As China becomes a stakeholder in the international system, it will be less likely to see that system and its values as alien, and more likely to accept the legitimacy of international norms in other areas, such as non-proliferation and human rights ~~That in turn should lead to greater acceptance of international judgements of whether it is playing by the rules and may create a mindset that accords greater legitimacy for the same principle in other areas, such as non-proliferation and human rights.~~

if we do labor/enviro point, do it here. Put in terms of concern that if China gets in to the WTO, it will use its influence to undermine international norms on environment/labor rights.

It's fair to ask: how do we know China will do what it promised to do in the agreement we signed? Of course, we cannot know for sure. But we do have reasons to believe that it will.

First, China is pledging to open its economy and its markets not just as a means of getting in the WTO, but because most of its leaders believe reform is in China's interest. I find it encouraging that in recent months the Chinese have asked for our advice and technical assistance to better understand and live up to the terms of the WTO agreement.

Second, as a member of the WTO, China must submit disputes to that body for adjudication. ~~Unlike today, i~~If China violates its trade responsibilities under the WTO it will confront judgments backed by a 135-member body, rather than being able to chalk up friction to supposed U.S. bullying. Right now, if China treats our products unfairly, we have no recourse, short of pulling the plug on trade. This agreement increases our leverage with China in the event of a future trade dispute on everything from intellectual property to dumping. And it gives the forces of reform within China greater leverage to insist that China move in the right direction.

~~I know some people are convinced that China simply cannot be trusted to live up to its agreements, and I probably won't be able to change their minds today.~~ That's one reason why Martin Lee, leader of Hong Kong's Democratic party~~,~~ supports this agreement; he says that without entry to the WTO, "any hope for the political and reform process would also recede. And Chinese dissident Ren Wanding said upon the deal's completion: "Before, the sky was black. now it is light. This can be a new beginning."

Obviously, China's interests and ours will not always converge. But with 22 percent of the human race living within its borders, China must be a part of major global initiatives if they are going to work. If, for example, we are going to move the World Trade Organization to a broader recognition of its mandate - particularly with regard to labor and environmental rights - China will need to be part of that effort. It would improve our leverage if China is on the inside looking out, rather than on the outside looking in. [again – doesn't fit here. it interrupts the transition between dissidents and the next graph.

Let me make very clear: this agreement alone is not a human rights policy. It cannot by itself bring all the change in China we seek. That is why we must and will continue to speak out on behalf of the people in China who are persecuted for their political and religious beliefs. That is why we worked hard for the release of Dickinson College librarian Song Yongyi, who was released just last week in Beijing. That's why we sponsored a resolution last year in the UN

Human Rights Commission condemning China's human rights record last year and why we're doing it again this year. We will continue to press China to respect global norms on non-proliferation; to encourage a peaceful resolution of issues with Taiwan; to urge China to be part of the solution to the problem of global climate change.

How will China change? I believe it will be a combination of internal pressures for greater voice and external validation of the human rights struggle by the international community. The WTO agreement will contribute to the former while we will maintain our leadership role in the latter. Our policy should no more be measured week to week or year to year than you could have measured our policy toward the Soviet Union - with which we continued to engage, even though it posed a much greater threat to us than China does today.

In other words, we must and will continue to protect our interests with firmness and candor. But we must do so without isolating China from the global forces empowering its people to build a better future. That would leave the Chinese people with less access to information, less contact with the democratic world, and more resistance from their government to outside influence and ideas. No one could possibly benefit from that except for the most rigid, anti-democratic elements in China itself. Let's not give them a victory by locking China out of the WTO.

The question is not whether or not this trade agreement will cure serious and disturbing issues of economic and political freedom in China; the issue is whether it will push things in the right direction. President Clinton believes it will. Some of the most courageous proponents of change in China agree. It is our shared conviction that supporting this agreement - and voting yes on permanent NTR for China -- is the right thing for America, and the right thing for China.

Let us have the wisdom to choose wisely. Thank you.

Most are develop countries Most are skeptical about our ability to address this world change. ~~If~~ we are going to use a brighter light → If we are China has to be part of that equality 20%, etc.

Sutphen, Mona K. (NSA)

From: Malinowski, Tomasz P. (SPCHW)
Sent: Tuesday, February 01, 2000 1:59 PM
To: @NSA - Natl Security Advisor
Cc: @SPEECH - NSC Speechwriters; @ASIA - Asian Affairs
Subject: china speech [UNCLASSIFIED]

For SRB:

Revised China speech, with your edits, plus additional suggestions from Ken and Tom. Shorter, but I still need to cut.

- Paul

PAUL - FIRST ~~5~~ 6 PAGES...

srb-china4_.doc

2/1/00 2:00 p.m.
Orzulak

NATIONAL SECURITY ADVISOR SAMUEL R. BERGER
REMARKS TO
THE WOODROW WILSON CENTER
ON CHINA
WASHINGTON, D.C.
FEBRUARY 2, 2000

Speaking to the Wilson Center is always a challenging prospect. It brings to mind the story of the man who lived through the famous Johnstown flood. All his life, this man would stop and tell everybody he met the story of how he survived. When he died and went to heaven, he asked St. Peter to convene a crowd so he could tell them about the great flood. St. Peter said, "I'd be happy to. But you have to remember one thing - Noah will be in the audience."

There's more than one foreign policy Noah in this distinguished audience. Indeed, Lee Hamilton himself comes with an entire Ark. For 20 years, he brought a steady hand to foreign policy in Congress, with the emphasis always on patriotism, not partisanship. I thank him for that.

Last week in his State of the Union address, the President gave a compelling summary of the challenges America will face in the 21st century world. Looking ahead, there's good reason for optimism. America is enjoying the longest economic expansion in its history. Our military strength is unchallenged. Our alliances are strong. Our values are ascendant. Eighty years after Woodrow Wilson hoped that American leadership would help make the world safe for democracy - more than half the world's people now live under governments of their own choosing.

But as the President said last Thursday, this is not a world without dangers to us. ~~There is the prospect that~~ our security ~~will~~ can be threatened by regional conflicts that pose the risk of a wider war. ~~There is the danger that~~ The march of technology ~~will~~ can give terrorists and hostile nations the means to undermine our defenses, and force us to once again live in fear. ~~There is a chance that~~ The stability of the 21st Century ~~will~~ can be threatened by an ever-widening gap between rich and poor.

And of course, there is the possibility that our former adversaries Russia and China will fail to emerge in this century ~~as~~ stable, prosperous, and democratic ~~partners of the United States~~.

Today, I want to talk about China. Since President Nixon went to China in 1972, the United States has sought to develop a constructive relationship with Beijing, initially as a counterweight to the Soviet Union and later in recognition of China's ~~its~~ growing importance in its own right. We have worked for ~~tried to encourage~~ the emergence of a China with an economy that is open to American products, farmers, and businesses. A China whose people have access to ideas and information. A China that upholds the rule of law at home and adheres to global rules on everything from nuclear non-proliferation to human rights to trade.

This year, we have an unprecedented opportunity to advance those goals. The opportunity, of course, is China's entry into the World Trade Organization.

(, market opening)

~~But~~ Before America can realize the full benefits of Chinese entry into the WTO ~~membership in this institution~~, Congress must answer a simple question: will it grant China permanent Normal Trade Relations status, which, In effect, is our ~~Fair~~ part of the deal we reached with China, [ch] ? and the same arrangement we have given to every other country in the WTO? Or will Congress turn its back on the most sweeping changes China has agreed to make in decades and ~~actually~~ risk losing ground on all the issues we care about? [ch]

Stet

This will be an intense – and intensely important – debate. ~~People on both sides of the aisle have~~ There are legitimate concerns about China. ~~But~~ So let me take a few minutes today to talk about why supporting this agreement - and permanent NTR for China -- is not only in our economic interest, but, more important, is in our national security interest.

Every debate on a trade agreement must first answer the threshold ~~begins with a simple~~ question: will our economy and our workforce benefit from the terms we've negotiated, or will they suffer? From an economic perspective, there is no denying that this agreement strongly benefits the United States.

For years, China has had extraordinary access to our markets, while its markets have been in many ways closed to American products and services. Indeed, we ran a $71.5 billion trade deficit with China last year – our largest (with any country [ck]). This agreement requires China to make sweeping ~~major new~~ concessions to open its market to America, while ~~but~~ we make no further ~~new~~ market-opening concessions to China. ~~So~~ Rejecting this agreement would in no way limit China's access to our markets. It (would, however,) deprive American companies and workers of the same ~~tariffs and other~~ favorable market access ~~as~~ that our European, Japanese and other competitors would have. ~~would only continue to limit our access to China, ensuring that our trade deficit remains high.~~

[all this needs to be read by someone (NEC?) who really knows agreement]

This agreement will dramatically reduce China's tariffs on everything from agricultural and industrial products to computers and semiconductors. It ~~d~~irectly responds to concerns ~~raised by Republicans and Democrats alike~~ about unfair trade practices in China – from product dumping (from China) to technology transfers – and gives us ~~[illegible]~~ protections against import surges ~~that drains jobs, investment and technology from the United States~~. that we have with regard to no other country. And it allows our businesses to export to China from home (, and have their own distribution in China,) rather than being forced to set up factories in China to sell products there (through ~~[illegible]~~ distribution channels the Chinese control.)

That is what this agreement means in principle. Here is what it means in practice.

Consider the auto industry. Right now, a car made in Dearborn faces an 80 to 100 percent tariff before it can be sold in China --which prices us ~~right~~ out of the market. So if you want to sell cars in China, you need to base your operations in China. To do that, you must form a joint venture with a Chinese middle-man, a state run enterprise and give them at least a 51% stake. You also must to transfer a huge amount of your technology to China, and teach the Chinese how to use it -- which means you are transferring both your product and your ~~training~~ expertise to your eventual competitors. ~~It's also against the law in China to import~~ You also cannot import American car parts (into China), so you have to work with Chinese ~~vendors to set up~~ suppliers [?] for components ~~, processors~~, and train them how to make those, too.

[don't understand this Chinese parts suppliers?]

In addition, Americans ~~are not allowed to~~ cannot now directly run distribution centers in China, so once your parts are made, the Chinese have to sell them for you. Americans are not allowed to directly own

to whom?

service centers, either. So you have to find another chinese middle-man. And all this assumes that Chinese consumers can buy the cars in the first place, because the only financing that is allowed in China is through state-run banks - and they don't make loans for cars. Little wonder that there are many times more bicycles in China than automobiles.

(100% US ownership?)

Under the new agreement, it's completely different. Tariffs on American cars fall by nearly 75 percent, so we can compete in Chinese markets. The requirement that we have to link up with Chinese enterprises is eliminated. So is the requirement that we have to transfer our ~~own~~ technology. And, American manufacturers will now be free to use parts made in America for assembly in China, to set up their own distribution centers, to run their own service shops, and to provide their own financing to consumers.

From our perspective, it means that we're going to sell a lot more American cars in China, which means more jobs in America. In return, the Chinese people end up with much better products at lower prices. Take that example and multiply it out across all of our other industries - from manufacturing to high-tech to insurance to agriculture - and you begin to get an idea of what ~~how much~~ this agreement ~~deal~~ could mean to both our economies.

For our part, we must ~~To get these benefits, all we are required to do is to~~ grant China permanent normal trade relations status, ~~to bring China into the WTO~~. It's important to understand what that means: ~~permanent NTR is not a favor to China, it is the best way to level the playing field. And it is a reciprocal agreement (yes, China must also grant us PNTR)~~. It simply means that we will give China the same tariff schedule we apply to most every other nation in the world, and China will do likewise. ~~Instead~~ It would eliminate the annual vote on China MFN, [which ~~do~~ we do not apply to any other WTO member [ck]]. ~~If we do not do this, WTO rules do not apply to our access to the Chinese market.~~

~~Of course, passing permanent NTR with China does not mean that Congress is permanently barred from ever revisiting the issue of Chinese trade.~~ Some have said we need the annual vote to address other concerns we have with China, on human rights, proliferation or religious freedom. Congress always has the authority to ~~address its concerns about China~~ ~~adjust our trading relationships with any nation, as well as~~ address any ~~other~~ part of our relationship with

(Past)

or any other country.

China, ~~and that's the way it should be~~. What it will do is get us out of the cycle we are now in, where the future of Chinese trade comes up for a vote every single year in Congress.

[annual MFN vote not been effective instrument. Affirmed (X) years in a row. In many ways, denying China normal tariffs, because it has such a dramatic effect on us as well as them, makes it an ineffective remedy]

The economic benefits of this deal to America are clear. If Congress votes no, ~~it would deny~~ China would not be required to give American firms ~~the ability to enter the Chinese market under WTO rules~~, the same favorable terms of access to its market as it will to ~~other~~ our competitors, and cancel the special protections that we negotiated. ~~As a result, Americans would almost certainly be put at~~ a as ~~tremendous competitive disadvantage against European and Japanese competitors as they stake out privileged positions in one of the 21st Century's biggest markets.~~ could

In a global economy, where global markets are essential, our business and workers would be hobbled with one ~~quota~~ quarter of the world. It would be a self-inflicted wound that would hurt the economic health of our country.

For me, ~~that's~~ the economic benefits are only the beginning of the argument for this agreement, not the end. For I am ~~a too~~ convinced that it is as vital to our national security as it is to our economic security.

~~As a nation, we have~~ Our nation has a tremendous stake in how China evolves. Our future is substantially tied to Asia. The stability of Asia – economically, politically and militarily - is inextricably entwined with the stability and direction of China. ~~the largest nation in the world.~~ As China develops, the path it illuminates or the shadow it casts will be felt very far from its own borders.

China will write that future as it answers some fundamental questions: It has extended some freedoms, but will it gain the resiliency and stability that can only come from respecting human rights and permitting opposing political voices to be heard -- and felt? It is reforming its economy, but will it unleash the ~~necessary~~ essential ingredient of sustained growth in the information age – namely access to knowledge and unfettered thought? It has become deeply engaged in the international community, but will it make a broad commitment to play by global rules and do its part to address global challenges like the spread of weapons of mass destruction and climate change? It is growing stronger; but will it use that strength to build a more secure Asia, or ~~will it~~ to threaten the freedom and security of its neighbors? Ultimately, the answers will come from China. But we have an enormous stake in encouraging it to choose the path of integration and reform, not isolation, stagnation, and decline. And bringing China into the WTO will ~~help~~ make a difference.

69252
Lieberthal

U.S. Department of Commerce
Office of Speechwriting

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TO: Paul Orzulak

COMPANY: NSC

FROM: Dykema

PAGES (incl. cover): multiple

COMMENTS: As per our conversation.

WD -- Davos Food & Beverage luncheon -- 1/31/00
<u>draft 4</u>-- (by Scott) -- 11.5 minutes

(<u>Note</u>: We up-dated this with comments from the President's speech on Saturday.)

<u>Acknowledge:</u>

(To come from advance.)

Today I want to talk about China and the WTO.

Without a doubt, it is the number one trade issue we face in America, and, I believe, around the world.

It is a pivotal issue: how it all turns out will set the tone for global commerce for years to come.

As President Clinton says:

... the world will be better off by giving China the chance to choose wisely ... and become constructive members of the global community.

I can think of no better way of doing this than by engaging them economically ... by making it easier for you to do business with them.

The President asked me to lead the effort -- along with his deputy chief of staff -- to convince the U.S. Congress to grant <u>permanent</u> normal trade relations with China.

We used to call it: most favored nation relations.

We need this before China can join the WTO.

As you probably know, we have been renewing China's trade status annually, since 1980.

But now we need to make it permanent.

Winning this vote is extremely important to the President, and to me.

He made that very, very clear on Saturday.

But he also made it clear that the politics of this will be tough.

One of the great ironies in our trade fights is that the same thing usually happens.

There are two camps, miles apart.

There are the free traders, in the one camp, who want absolutely no controls.

Then there are protectionists who want to throw up a fortress around America, and keep all imports out.

President Clinton believes -- as do many of us in politics -- that it's time we found common ground because it's a different world out there.

It's not an either-or-situation.

You won't survive in the 21st century unless you trade.

But it has to be fair trade for it to work -- otherwise we'll end up with one banana war after the next.

So bringing China into the WTO is a good deal for the world economy.

For one, it levels the playing field.

For the first time, China will have to abide by WTO rules.

That means we will have a way of resolving disputes when they arise.

The deal means also, that the world will be a little safer.

And it will give us another way to make progress on <u>human rights</u> issues (such as child and slave labor).

The same can be said for <u>national security</u> issues.

We all know about these problems, and the difficulties in resolving them.

They are top concerns for this Administration, and for many U.S. lawmakers.

I think the fastest way to advance democracy in China is by bringing them into WTO, making them a constructive player.

Can you imagine a better way to allow for the free flow of ideas than for China's 1.2 billion people to be connected to the Internet, and to billions of people in other nations?

Obviously, this is a good deal for America, and for China.

Neither of us would have

signed the deal if it weren't.

While we both gain, I have to say it is largely a one-way deal.

We don't give anything up.

We gain tremendous market access.

America now takes in 33 to 40 percent of all China's exports, and I'd like their market to be as open as ours is to them.

We also gain strong protections for our workers.

No deal on WTO membership has ever included stronger measures against unfair trade.

And we retain our <u>anti-dumping powers</u>.

These are key issues for Democrats and for Republicans in Congress.

Frankly, without these we don't have the credibility we need to convince the <u>normal</u> people ... the people outside of Washington ... that trade is an important piece of their future.

Without these powers, all they will see are the <u>layoffs</u>, not the <u>payoffs</u> of trade.

Now, I am a realist: when Congress takes this up -- it will be a <u>tough battle</u>, for many reasons.

We have a huge $60 billion-plus trade deficit with China.

We have a record-breaking <u>overall</u> trade gap because of a strong, open U.S. economy.

We have congressional concerns over China's compliance (and its ability to comply).

We have the November elections looming.

And don't forget, there was the Battle in Seattle, which has forever changed trade talks.

As to the <u>timing</u>, to be honest, with every day that goes by, the politics gets harder.

The window for action, as I see it, is mid-April to mid-June.

There is a consensus that we move as early as we can, and maybe even sooner.

To be frank with you, what we need most is progress on deals between China and Europe and others.

We welcome the progress on Brazil.

But Congress likely will want to feel that the terms of a WTO protocol allowing China to join are pretty much set ... before lawmakers will want to consider taking a vote.

So, the obvious question is the one the President got asked on Saturday:

Is this winnable?

Yes! Absolutely!

We can win this vote, with your help, and the help of the international community.

Why?

All the Presidential hopefuls -- Democrats and Republicans -- are with us.

There are strong economic reasons, also.

And we have <u>total</u> Administration commitment.

We have a <u>senior board of directors</u>: Secretaries Albright, Summers, and Glickman ... Amb. Barshefsky ... Gene Sperling, and Sandy Berger ... are the other members of the team.

We meet regularly -- once a week.

Former U.S. Treasury Secretary Bentsen, when he helped the President pass NAFTA, called himself the lowest paid lobbyist in Washington.

Well, we have the lowest paid lobbying <u>team</u> in Washington!

Obviously, we're reaching out to Congress.

Already we met with 110 Democrats who have backed MFN for China in the past.

We're going to meet with every lawmaker.

Look them in the eye.

And tell them why we need their support.

I hope they will be sick of seeing us.

And finally, we are prepared to talk about ways to make the deal work better, such as devoting more resources to compliance efforts.

But we cannot do it alone.

We need your help, and the sooner the better.

The key to our strategy is to take the story outside of Washington.

I hope many of our CEOs ...

some of the Americans here today ... will help us: take the case to your workers and suppliers, and to local media and local officials.

These are the people that we need to be talking to, explaining that this is a pocketbook issue.

I think you would be well-advised here in Europe, also, to do the same thing as you complete talks with China.

A lot of those protestors in Seattle were from Europe.

#

I came from the private

sector.

I know CEOs don't like going to their workers, especially when the issue is difficult, such as trade.

But these are different times.

You have to change.

Despite our prosperity, there is anti-big business sentiment.

You saw it in a recent BusinessWeek poll.

People need to see on their

pay stubs ... as one of our companies puts on them ... Farmland Industries:

... and I quote "China will account for nearly 40 percent of the future growth of U.S. agricultural exports."

Let me end on this.

My mother is 93 years old, and she knows more about the old century than anyone I know.

She lived through the depression and world wars.

The new century -- is the

digital century.

I hope that the great challenges we face, aren't how to fight countries, but how to compete, so workers around the world have opportunities to benefit.

Thank you. Questions?

-30-

****

*** ACTIVITY REPORT ***

****

ST. TIME	CONNECTION TEL/ID	SENDER NAME	NO.	MODE		PGS.	RESULT
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*01/28 11:01	APNSA	NSC SPEECHWRITING	7400	AUTO RX	ECM	10	OK 03'34
*01/28 11:57	2024566569	NSC SPEECHWRITING	7401	AUTO RX	ECM	4	OK 02'24
*01/28 18:34	SECSTATE SPEECH 202 736 7687	NSC SPEECHWRITING	7402	AUTO RX	ECM	9	OK 05'39
*01/30 14:31	97573827	NSC SPEECHWRITING	2897	TRANSMIT	ECM	2	OK 01'41
*01/30 14:34	93632295	NSC SPEECHWRITING	2896	TRANSMIT	ECM	2	OK 01'41
*01/31 08:37	NSC EXECSEC 202 456 9460	NSC SPEECHWRITING	7403	AUTO RX	ECM	3	OK 01'31
01/31 19:25	APNSA	NSC SPEECHWRITING	7404	AUTO RX	ECM	4	OK 01'37