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Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. notes	re: Internal meeting with Samuel R. Berger concerning China speech (3 pages)	n.d.	P5
002. note	re: China's nonproliferation record (5 pages)	n.d.	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China [Folder 2] [5]

2008-0702-F

jm197

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]
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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]
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58TH STORY of Level 1 printed in FULL format.

Copyright 2000 The New York Times Company
The New York Times

April 2, 2000, Sunday, Late Edition - Final

SECTION: Section 1; Page 1; Column 6; Foreign Desk

LENGTH: 1309 words

HEADLINE: CHINA INDICATING CAUTION ON TAIWAN

BYLINE: By JOSEPH KAHN

DATELINE: WASHINGTON, April 1

BODY:

Chinese leaders have told the United States that they plan to stick with a "wait and see" attitude toward Taiwan's new president and that they are open to resuming a dialogue with the estranged island, a senior administration official said today.

The Chinese assurances, if borne out, come at a crucial time for the administration, which is scrambling to put relations with China on an even keel and to persuade Congress to upgrade economic relations before President Clinton leaves office.

This week, President Jiang Zemin and other top Chinese leaders indicated to the national security adviser, Samuel R. Berger, that China's initial, restrained reaction to the election of Chen Shui-bian as Taiwan's president last month was part of a "considered policy," in the words of the American official.

President-elect Chen's party had previously called for independence from China, something Beijing has sworn it will wage war to prevent, and he only recently muted that stance.

The Chinese have decided, at least for the time being, to try to reach an accommodation with his new government, which is expected to be formed in May, the official said.

"They don't quite know what to make of the situation," he said, describing Mr. Berger's two-day talks with the Chinese. "But they are not inclined to act in a precipitous way and they want to find a way to reach an accommodation consistent with their principles."

Mr. Berger traveled to China, in part, because the administration is simultaneously seeking to smooth relations between mainland China and Taiwan even as it tries to assemble a Republican-dominated coalition of lawmakers willing to grant China permanent trading rights in the American market.

The New York Times, April 2, 2000

Congressional leaders said any flare-up in tension between China and Taiwan would almost certainly derail the administration's hopes of winning passage of the trade measure anytime soon. The administration, in turn, has warned that failure to pass the measure could seriously set back relations with China and diminish American influence there.

"There is an important national security argument for going forward with permanent normal trade relations which is if anything intensified by developments related to Taiwan," said the administration official. "It not only creates a degree of interdependence between China and the world community but also to the economic integration of China and Taiwan."

During the election in Taiwan four years ago, the Chinese lobbed missiles around the island in an attempt to intimidate voters. Chinese leaders also gave bellicose warnings to Taiwan shortly before the latest elections, apparently to persuade voters to back candidates considered more favorable to reunification than Mr. Chen.

Despite its earlier statements, and perhaps relieved by Mr. Chen's conciliatory comments after his election, China now seems inclined to remain open to dialogue, the administration official said. Though any resumption of talks would most likely take many months to get under way, the mere prospect may reduce the risk that rising tensions will block passage of normal trade relations, which President Clinton has called his top remaining foreign policy priority. A Congressional vote on the matter is expected in May, the same time Taiwan's new government takes power.

The administration has asked Congress to give up its annual review of China's trade status, granting it same trading rights -- called permanent normal trade relations -- that most other countries have. The step is required if United States companies are to benefit fully from a market-opening agreement the administration negotiated as part of China's continuing effort to join the World Trade Organization. Talks between China and the European Union over China's entry into the trade group broke down on Friday.

Supporters argue that the economic rationale for giving up the annual review is overwhelming. The agreement requires China to open its markets and overhaul its regulatory regime, making way for foreign competitors in every area from agriculture to the Internet. But, as President Clinton has noted, "it's a one-way deal" that does not require reciprocal trading concessions by the United States.

Mr. Clinton has argued that granting permanent normal trading relations is essential for national security. He said the step would support reformers, lock China's bureaucracy into a rules-based trading regime and contribute to stability in Asia.

The vote, however, has become freighted both with ideological concerns about China's Communist government and domestic political worries in an election year. While America's business community has begun a national lobbying campaign on behalf of the measure, labor unions have mounted a vigorous opposition intended to culminate in what unions are promising will be a huge mobilization of supporters in Washington and around the nation on April 12. Union leaders say that the use of child labor by China and its hostility to free labor unions

The New York Times, April 2, 2000

allow it to compete unfairly with American workers and have worsened the loss of American industrial jobs.

Senate passage is considered likely. But if the measure slips through the House, President Clinton will have the Republicans to thank; early vote counts show that two-thirds of his own party's members in the House will vote against permanent normal trade relations.

The administration and the Republican leadership in the House have begun to work to build a coalition across party lines in support of the measure. Dennis Hastert, the House majority leader, has acceded to administration pleas and agreed to set a date for the vote in late May, aides said, even though Republican leaders acknowledge that Mr. Clinton has not met what they had insisted was a prior condition: proof that he can produce enough Democrats to ensure passage.

Getting 218 votes may prove difficult. Although business pressure on Republicans has been intense, some members of the party argue that the administration should work actively for the overthrow of the Chinese government instead of extending it upgraded trading rights.

Republican aides say the party will struggle to produce 150 votes in favor of permanent normal trade relations, the number that supported annual renewal of China's trading rights last year. That means supporters will need about 70 Democrats to vote in favor. Democratic lawmakers who favor the measure say that is still possible, but acknowledge that most of their potential supporters are currently uncommitted.

President Clinton has started a major campaign aimed primarily at securing support from wavering Democrats. Mr. Clinton, aides said, is spending more time on China trade than any other single item on his agenda. He will make his sixth major address on the subject on Monday in California and has scheduled numerous evening talks with lawmakers in the White House residence this month.

The president has also assigned five cabinet secretaries to make China their top priority.

"This is an intensive, all-out effort, member by member, district by district, explaining what this agreement is really about and what's at stake in terms of relations with China," said Charlene Barshefsky, the United States trade representative. Ms. Barshefsky negotiated the sweeping trade agreement with China and is spending most of her time these days lobbying for it. "What we're saying is that this decision is about the best way to influence China, not just on economics but all the surrounding issues as well," she said.

Some people in Congress have said that their vote will be influenced by how Beijing handles Taiwan's transition now that Mr. Chen, of the opposition Democratic Progressive Party, has won election, ending the Nationalist Party's half-century dominance of the island's politics.

<http://www.nytimes.com>

LANGUAGE: ENGLISH

8TH STORY of Level 1 printed in FULL format.

Copyright 2000 The New York Times Company
The New York Times

April 19, 2000, Wednesday, Late Edition - Final

SECTION: Section A; Page 22; Column 1; Editorial Desk

LENGTH: 465 words

HEADLINE: A Clear Choice on China Trade

BODY:

By permanently awarding China the normal trading status it has enjoyed for two decades, Congress can advance America's economic interests without diluting its support for human rights on the mainland or the defense of democracy on Taiwan. Yet while Senate passage seems assured, the House is wavering as both liberal Democrats and conservative Republicans withhold support. Both groups should reconsider their opposition.

Passing the trade bill, which is scheduled for a vote in May, would lock in the market-opening concessions by China. These include easier access for foreign telecommunications companies and a reduction of state controls over the economy, steps that would expand the sale of American goods in China. Over time, lower trade barriers could loosen constraints on information and political debate. Without the trade deal, American businesses would be at a disadvantage in the China market.

Some Democrats, including the House minority leader, Richard Gephardt, argue that granting permanent trade rights to China would sacrifice the leverage now available to Congress through its annual votes on China's trade status. But those votes have become empty rituals, with China's trading rights invariably renewed. Pressure on trade is an inappropriate way to seek human rights reforms in China, since trade restrictions insulate China from progressive outside influences.

Representative Sander Levin, a Michigan Democrat, has proposed steps that would couple permanent trade status with new tools for monitoring and pressing China on human rights and fulfillment of its trade commitments. If warranted, Congress could also consider applying penalties allowed by World Trade Organization rules. This approach would create more effective American pressure on these issues than the annual trade status reviews.

Most House Republicans support the trade bill. But some have held back to protest Chinese belligerence toward Taiwan. China's threatening tone before last month's Taiwanese presidential election was troubling, but Beijing's rhetoric has lately been more restrained. Washington should continue trying to calm the tensions, not inflame them with the sale of sophisticated weapons to Taiwan.

The Clinton administration struck the right balance in its newly announced

The New York Times, April 19, 2000

package of arms sales to Taiwan. This includes a variety of upgraded missiles and radars but rightly omits the four destroyers with advanced Aegis antimissile technology that had been requested by Taiwan.

Opening China's markets advances American, Chinese and Taiwanese interests. Other matters like the preservation of democracy in Taiwan and the expansion of liberty in China are equally important American objectives. They are best pursued by disentangling them from trade issues.

<http://www.nytimes.com>

LANGUAGE: ENGLISH

LOAD-DATE: April 19, 2000

16TH STORY of Level 1 printed in FULL format.

Copyright 2000 Times Mirror Company
Los Angeles Times

April 5, 2000, Wednesday, Home Edition

SECTION: Metro; Part B; Page 9; Op Ed Desk

LENGTH: 748 words

HEADLINE: COMMENTARY;
KEEP ASSESSING TRADE STATUS;
CHINA: THE ANNUAL REVIEW HELPS PROMOTE HUMAN RIGHTS, INCLUDING MINIMUM STANDARDS
FOR WORKERS.

BYLINE: PAUL D. WELLSTONE, Paul D. Wellstone, a Democrat, is Minnesota's senior
senator

BODY:

Corporate lobbyists believe that their campaign to give China permanent trading privileges is simply a matter of "educating" the public to the benefits of the latest trade deal. Actually, those lobbyists could learn a thing or two from the people they're trying to persuade.

In Washington, it's fashionable to look down on people who don't fully appreciate the benefits of our government's trade policies and of permanent, normal trade relations--what used to be known as most-favored-nation status--for China. Too often, critics of permanent trading privileges, or the North American Free Trade Agreement, or the World Trade Organization, are reflexively dismissed as isolationists or protectionists. There's no basis for that sort of condescension.

Most people I meet in Minnesota and across the country are a lot more sophisticated than they're given credit for. They're perfectly aware that we live in a global economy. They understand that, under the right conditions, trade and investment can benefit both Americans and our foreign partners. However, they want global competition to be based on quality and legitimate comparative advantage. They don't want a bidding war to see who can pay the lowest wages or wreak the most environmental damage.

Most people I meet are indeed skeptical of trade deals, for good reason. For starters, each new deal is accompanied by enough hype and exaggeration to make a carnival barker blush. More important, working people know firsthand that the threat of moving jobs to Mexico is routinely used to lower their wages and defeat union organizing. They see an unsustainable trade deficit destroying good manufacturing jobs that are hard to replace. They understand that encouraging corporations to move jobs wherever labor, environmental and public health standards are weakest puts downward pressure on standards in every country.

Los Angeles Times April 5, 2000, Wednesday,

They realize that China's immense pool of exploited labor and lax regulation can only accelerate this race to the bottom, especially if we end Congress' annual review of China's trading privileges. The whole point of the review is to promote human rights, including labor rights.

In short, a lot of working families have figured out that they're getting the shorted. Are they wrong to feel that way? Not at all. There's ample evidence that our trade and investment policies are a major reason why inequality has reached record levels in the U.S., and why inequality has risen dramatically within and between nations over the past couple of decades.

It doesn't have to be this way. In this country, we made the economy work for working people by setting minimum standards for labor, the environment, public health and consumer safety. We managed to write rules for the domestic economy that reflect values other than just the narrow commercial interests of big business. Why should those values be banished from the rules of the global economy? Can it really be impossible to make the global economy work for working people?

Of course not. But it all depends on who's writing the rules. Right now, the way those rules are written is not very democratic. When President Clinton's first trade czar tried to incorporate labor and environmental values into our trading rules, one corporate lobbyist sniffed: "He's forgotten who his constituency is." I believe the "constituency" for our trade policies is the American people as a whole, not just transnational corporations. The rules for the global economy should be written as democratically as possible so they benefit the many, not just the few.

There's a movement underway to do just that. Following last year's WTO gathering in Seattle, a diverse coalition of trade unionists, environmentalists, family farmers, students and religious leaders has emerged to rewrite the rules of the global economy. This coalition understands that raising standards overseas is not only the right thing to do, it's also necessary to maintain our own standards. Ensuring that prosperity is shared more broadly overseas also is needed to stabilize the world economy and create healthy, sustainable markets for our exports.

Ending annual congressional review of China's trading privileges is a step in the opposite direction. Though most people are miles ahead of their government in understanding the global economy, it seems their concerns have not yet registered on the political radar screen, either in Washington or on the presidential campaign trail.

LANGUAGE: English

LOAD-DATE: April 5, 2000

4/28/00 9:00 a.m.

Orzulak

**NATIONAL SECURITY ADVISOR SAMUEL R. BERGER
REMARKS TO
THE EAST ASIA INSTITUTE
AT COLUMBIA UNIVERSITY
ON CHINA
NEW YORK, NEW YORK
MAY 2, 2000**

Two weeks from tomorrow, more than 9,000 students will gather on Low Library Plaza to celebrate the 246th commencement of Columbia University. As a graduate of that other Ivy League school in New York, who occasionally had "C's" on more than my sweatshirt, I offer my heartiest congratulations. As the class of 2000 leaves here to make its mark on the world, it's remarkable to think about how different the world is today that it was just eight years ago.

Back in 1992, students graduated into a world where many people thought, as Time Magazine put it, that the United States was "in irreversible decline as the world's premier power. Today, by any measure, America is the world's predominant power. Our military strength is unchallenged. Our alliances are vibrant. Our values are ascendant. And our economy is as strong as it has ever been.

As I tell my son, who is a member of the Dartmouth class of 2002: one of the nice things about being part of an Administration that has helped create 21 million new jobs is that it's going to be awfully hard for him to convince me that he can't find at least one.

But this is also a generation whose future prosperity is tied – more than any other time in our history – to the rest of the world. The central reality of this age of globalization is that everything – from the strength of our economy to the security of our cities to the health of our people – depends on events not only within our own borders, but halfway around the globe. With just four percent of the world's population and 22 percent of its wealth, our future will depend in large part on our ability to sell things and reach out to the rest of the world.

A little more than a week after the class of 2000 graduates, the United States Congress is going to decide whether or not that future is going to include the 1.2 billion people – fully one-fifth of the world's population – that live in China. In doing so, it is going to decide whether or not we go forward in the global economy with an open hand, or with one hand tied behind our back. As all of you know, the issue is our support for China's entry into the World Trade Organization.

Last fall, the United States signed an agreement to bring China into the World Trade Organization, on terms that will open its market to American products and investment. When China concludes similar agreements with other countries, it will join the WTO. But for us to benefit from China's entry, we must first grant it permanent normal trade relations status, which is the same arrangement we have given to 132 other countries in the WTO.

To call this just another trade agreement is like calling the Yankees just another baseball team. This is a once-in-a-generation opportunity. In the same way that the Start I Treaty was a cornerstone in turning the tide against nuclear weapons; in the same way that the Bretton Woods Agreement helped provide the framework for stability in post-war Europe; I believe that our

support for China's entry into the WTO will help lay the foundation for a stable and secure Asia in the 21st Century.

As the President has said, this is one of the most important decisions that America will make in years. I want to talk for a few minutes today about why we believe that voting yes on PNTR and supporting China's entry into the WTO isn't just in our economic interests – it represents the most significant opportunity we have had to create positive change in China since President Nixon first went there 30 years ago.

In diplomatic circles, it is rare to achieve victory in a negotiation without giving up something in return. Usually, when I stand at a podium like this one and explain an agreement we have struck on one issue or another, I have to argue that the benefits we gain far outweigh the concessions we make. But this time, I don't have to do any of those things. Economically, this agreement is the closest thing you will ever see to a one-way street.

This agreement requires China to open its markets in unprecedented new ways to our products and services. Chinese tariffs, from telecommunications products to automobiles to agriculture, will fall by half or more over the next five years. For the first time, our companies will be able to sell and distribute products in China made by workers here in America, without being forced to relocate manufacturing to China, sell through the Chinese government, or transfer valuable technology. It means that we'll be able to export products without exporting jobs. Meanwhile, we'll also get valuable new safeguards against any surges of imports from China – meaning that our people will not lose their jobs if China imports products below their cost of production.

In return, all we agree to do is to maintain the market access that we already offer to China. That's it. It does not change our tariffs one bit. It does not give China new access to our markets. It does not require us in any way, shape, or form to make it easier for China to sell products in America. It's a complete one-way street.

If Congress passes PNTR, we reap these rewards. But if Congress rejects it, our competitors reap these rewards. Just imagine: we have spent the past 14 years negotiating an agreement in which China opens its markets in unprecedented new ways. If Congress votes no, we hand all of those benefits on a silver platter – along with the exports they generate and the jobs they create -- to our competitors in Europe, Japan, and elsewhere.

What does that mean? It means that by the year 2005, our competitors will pay 14 percent tariffs on agricultural products. We will pay an average of 31 percent. On industrial products, they will pay 9 percent. We'll pay 25 percent. On information technology, they'll pay nothing. We'll pay 13 percent. On automobiles, they'll pay about 25 percent. We'll choose to pay 100 percent. And if China decides to flood our market with below-cost products, we will have no recourse. And the worst part is, this will be a self-inflicted wound. We'll have done it to ourselves.

Some say that voting "no" on PNTR is a vote for the status quo. But that's not true: it's worse than the status quo. Because we will be giving our competitors an advantage in what is potentially the world's largest market, while essentially pricing American businesses and American workers out of the market. In effect, we will be unilaterally deciding to cede one-fifth of the world's market to Europe and Japan.

Others say that's okay – we should just wait a few years, and see how China behaves. If we're satisfied, then we'll invest. Just imagine if that same argument was made here at home. Moore's Law says that the processing speed of computers doubles every 18 months. Where do you think Gateway Computers or Amazon.com would be today if they decided to sit out the last four years? If we've learned anything since 1992, it is that the global economy hates a vacuum. If we're not going to be competitive, somebody else will be more than happy to fill the void. We can't afford to have our competitors rush in at the speed of light while our businesses take a slow boat to China. In the short term, it will cost America exports and jobs. In the long run, it could cost us our leadership in the global economy.

Even on protectionist grounds, opposition to this treaty is irrational. Protectionists argue that we need to keep our tariffs high and our markets closed to protect our industries from the rest of the world. But under this agreement, our tariffs won't change one bit. In fact, the only thing that will be protected if we reject PNTR for China is the market share of foreign competitors and the jobs of Chinese Communists working in antiquated state-run industries.

But most of the critics of the China-WTO agreement do not seriously question its economic benefits. Much of the debate today is not centered around the effect that this agreement will have on America, but the impact it will have on China. Neither side in this debate is under any illusion about the government in Beijing. It is a one-party state that does not tolerate opposition. It denies its citizens the fundamental rights of free speech and religious expression. It violates labor and environmental rights. It has gone out of its way to threaten Taiwan and its neighbors. It often defines its interests in the world in ways that are dramatically at odds from our own.

The question isn't whether we approve or disapprove of China's practices. The question is, what can we do to improve them? In my view, if China joins the WTO and we approve PNTR,

For years, this debate has come down to the classic question of the carrot or the stick. Those on the carrot side have argued that the carrot side argues that the best way to bring change to China is through engagement. On one side, those who take the carrot position argue that the more we engage China, and the more we

But the truth is, most of the critics of the China-WTO agreement do no question it solely on economic grounds. They're more likely to say things like: China is a growing threat to Taiwan and its neighbors, and we shouldn't strengthen it. Or, China violates labor rights and environmental rights, and we shouldn't enrich it. Or, China is an offender of human rights, and we shouldn't reward it.

Those of us who support China PNTR believe those concerns have merit. But the conclusion of those who raise them against China-WTO isn't. China is a one-party state that does not tolerate opposition. It does deny its citizens fundamental rights of free speech and free expression. It does define its interests in the world sometimes in ways that are dramatically at odds from our own. The question is not whether we approve or disapprove of China's practices. The question is, what can we do to improve them?

For years, the debate over this question has centered around the classic question of the carrot or the stick. Those who support the carrot argument believe we should engage.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 11, 2000

As Prepared for Release

REMARKS BY SAMUEL R. BERGER
 ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS
 ON CHINA

The Business Roundtable
 St. Regis Hotel
 Washington, DC

February 8, 2000

It seems hard to believe that it was seven years ago when I first met with The Business Roundtable. Back then, one of the most popular books in the nation was entitled "America: What Went Wrong?" Time Magazine had a story that asked: "is the U.S. in an irreversible decline as the world's premier power." Seven years later, America is in the midst of the longest economic expansion in our nation's history. Our military strength is unchallenged. Our alliances are strong. And our values are ascendant. Today, if you ask the question: "America: What Went Right," a big part of the answer is that we have a private sector willing to take risks and do what it takes to succeed in the global economy. I want to thank you all for the role you have played in creating this unprecedented moment of prosperity for our nation.

Tonight, I want to talk to you about a decision our country will make this year that is critical not only for your companies and industries, but for our nation and the world: China's entry into the World Trade Organization. Last fall, our negotiators completed an historic agreement with the Chinese. But before America can realize the full market-opening benefits of Chinese entry into the WTO, Congress must answer a simple question: will it grant China permanent Normal Trade Relations, the same arrangement we have given to 132 of the 134 countries in the WTO? Or will Congress turn its back on the sweeping changes China has agreed to make and risk losing ground on the issues we all care about?

I don't believe there can be a serious question that this agreement is in America's economic interest. For years, China has had open access to our markets, while its markets have been closed to American products and services. This agreement requires that China open its market on everything from agriculture to manufacturing - while we agree only to maintain the market access we already offer to China. For the first time, U.S. companies will be able to competitively sell and distribute in China products made by American workers here at home. And it responds to unfair trade practices in China, including the dangers of import surges.

All of you already know that, of course, and I'm not going to regurgitate the considerable economic benefits of this agreement tonight. Because the importance of this agreement goes far beyond its manifest economic benefits. And so does the debate that surrounds it. In our talks with Members of Congress, most do not challenge the agreement on economic grounds. Critics are more likely to say that: China is a growing threat to Taiwan and its neighbors, and we shouldn't

strengthen it. China is a drag on labor rights and environmental standards, and we shouldn't engage it. China is an offender of human rights, and we shouldn't reward it. China is a dangerous proliferator, and we shouldn't empower it.

Most of the concerns they raise on these issues are legitimate. We in the Administration share them. But this debate should not be defined as economic rights versus human rights -- or economic security versus national security. That is a trap, a false choice. This agreement is just as vital "if not more vital" to our national security as it is to our economic security. It is far more likely to move China in the right direction -- not the wrong direction -- on all of our other concerns. We can't duck these issues by saying that we're only interested in talking about economics. If we are going to win this debate, we must be persuasive that it promotes both growth and jobs in America and progress toward change in China. I want to talk tonight about how this agreement will advance our overall national interests by encouraging the right kind of change in China.

To understand how, we need to understand the dilemma China finds itself in today. Over 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 it still faces daunting economic problems. Its system is plagued by corruption. Private enterprise still accounts for less than one-third of China's economy. China's workforce is increasing by 12 million each year. Millions are migrating from the countryside, where they see no future, to the cities, where only some find work. And economic growth has slowed just when it needs to be rising to create new jobs. China clearly cannot maintain stability or ensure prosperity by maintaining the status quo.

Hence the dilemma: China's leaders realize that opening China's antiquated markets to global competition risks unleashing forces beyond its control -- unemployment, social unrest, increasing domestic pressure for political change. Yet, if they don't move forward, China cannot make the next critical leap in development, because without competition from the outside, it will not build world-class industries that can survive in the global economy.

What does this mean for us? As the President said when Premier Zhu Rongji visited Washington last year, "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 as their strengths." There is a possibility that a strong China will one day emerge as a threat to peace and stability in Asia, and to our security as well. But as we focus on the potential challenges of a strong China, let us not forget the risks that could be posed by a weak China, beset by internal conflicts, social dislocation, criminal activity, and large-scale emigration -- a vast zone of instability in Asia.

With this agreement, China has chosen to speed the opening of its economy, despite the political risks that entails. Opponents of this agreement need to answer the question: do they really want us to reject that choice? The fact is, our interest lies in encouraging both stability and change in China by encouraging it to meet, not stifle, the growing demands of its people for openness, accountability, freedom, and reform. And bringing China into the WTO will help in three ways.

First, it will obligate China to deepen its market reforms. With lower tariffs, and greater competition, its private sector will expand; its state sector will shrink.

The introduction of competition results in natural pressure for

progress. A decade ago, China's best and brightest students sought jobs in the government, in large state-owned firms or state-run research institutions. More and more, the best and brightest either are starting their own companies or working 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.

U.S. companies are the leaders in China in developing human resources -- by emphasizing teamwork and respect for individual rights. In turn, Chinese firms are increasingly learning -- and if they haven't, they will -- 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 do all we can to 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.

In the past, the Chinese state was every citizens' employer, landlord, shopkeeper, and news provider all rolled into one. By advancing the flow of information, the pace of privatization, and the forces of competition, this agreement will accelerate a process that is removing government from vast areas of people's lives. And by giving investors and property owners protection against arbitrary government action, it reinforces the idea that individuals have rights.

By opening China's telecommunications market to cutting-edge American technology and international firms, the WTO agreement will help bring the information revolution to cities and towns across China. A year ago, China had two million Internet addresses. Today, it has nine million. Soon, people in some of the most remote villages in interior China will have access to CNN. And as they become more mobile, more prosperous, and more aware of alternative ways of life, I believe they will seek a stronger voice in shaping their destiny.

Of course, just two weeks ago, Beijing announced that it was cracking down on the Internet. It's outrageous -- but it's also futile. In this information age, cracking down on the Internet is like King Canute trying to still the waters. Indeed, that the Chinese government is pushing back against the increasing flow of information to the Chinese people only proves that the changes China is undergoing are real and threatening to the status quo. This is not an argument for slowing down the effort to bring China into the world; it's an argument for accelerating it.

In the end, as China opens to the information economy, it can succeed only as it liberates the minds of its people and empowers the individual. You know all too well: creativity is indivisible. In this age, you cannot expect people to be innovative economically and stifled politically. Bringing China into the WTO doesn't guarantee it will choose political reform. But by accelerating the process of economic change, it will force China to confront that choice sooner, and make the imperative for the right choice far 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.

Under this agreement, some of China's most important decisions will be subject, for the first time, to the review of an international body. Why does that matter? Quite simply, 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 rules consistently applied. Remember, China is choosing to embrace these obligations. 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 define its future within the global community, not outside of it.

Opponents of this agreement will counter these arguments by saying it doesn't matter what we agree to because China will just break its promises. Of course, we cannot know for sure. But we do have reasons to believe that it will comply, and mechanisms to reinforce that. 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 China's leaders believe reform is in China's interest. Second, if China violates its commitments, we're still in a better position, because it will confront judgments backed by a 135-member body, rather than being able to chalk it up to supposed U.S. bullying.

Some will argue that granting China permanent normal trade relations status is granting a favor that China hasn't earned. But it's important that the public understand what PNTR means: simply that we will give China the same tariff schedule we apply to almost every other nation in the world, and China will do likewise for us. It would eliminate the annual vote on China's trade status, which we do not apply to any other WTO member. Some argue we need the annual vote to address the other concerns we have with China, on proliferation or religious freedom. But Congress has the ability to address any part of our trade relationship with any nation, including China. And the annual China trade vote has lost any leverage it was once thought to have. Congress has affirmed our trading relationship with China for 20 years in a row.

Finally, others will argue that we are sacrificing human rights on the altar of trade. In fact, locking China out of the WTO would be a blow to the very cause they and we support. It 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. And no one could possibly benefit from that except the most rigid, anti-democratic elements in China itself. That's one reason reformers like Martin Lee and dissidents like Ren Wanding support this agreement.

Let me be clear: bringing China into the WTO is not, by itself, a human rights policy for the United States. The reality in China today is that Chinese authorities still tolerate no organized political dissent or opposition. Because the Communist Party's ideology has been discredited in China, and because it lacks the legitimacy that can only come from democratic choice, it seeks to maintain its grip by suppressing other voices. Change will come only through a combination of internal pressures for change and external validation of its human rights struggle. And we must maintain our leadership in the latter, even as the WTO agreement contributes to the former.

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 must not and we are not relying on the hidden hand of the market to do all our heavy lifting on the issues we care about in China, and neither should the private sector. That's why it is important for our businesses in China to be agents of change by being good corporate

citizens.

But to make the most of that opportunity, first we must get this agreement through the United States Congress. And we can't underestimate for a second how hard that is going to be. This fight involves two issues -- China and trade -- that individually and together have become the third rail of American politics today. The agreement is opposed by an eclectic coalition, from labor to the religious right. It creates real splits in both parties.

I'll promise you this: the President and every key person in the Administration will undertake the most intensive effort possible to succeed. We've already begun. I hope you will also recognize the stakes involved. For if we fail to obtain PNTR, we will lose the full benefits of the agreement. In a global economy, with global markets, your companies will be shut off from one-fifth of the world -- while your European, Japanese, and other competitors will be the beneficiaries of the very good deal we negotiated.

But failure would be bad for our country in other ways. It would send a penetrating signal to the rest of the world, particularly after the Senate's rejection last year of the Comprehensive Test Ban Treaty, that America truly has turned inward. That would be devastating to our future.

At the moment of America's greatest strength and influence, we must be leading the world, and embracing change, not turning from it. Since President Nixon went to China in 1972, the United States has worked for the emergence of a China that contributes to peace in Asia. A China with an economy that is open to American products, farmers, and businesses. A China whose people have access to ideas and information, that upholds the rule of law at home and adheres to global rules on everything from non-proliferation to human rights to trade. This agreement is an unprecedented opportunity to advance all of those goals. I look forward to working with you in the months to come to turn those worthy and historic goals into a reality. Thank you.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 11, 2000

STATEMENT BY THE PRESIDENT

Today I met with my national security team about the critical stakes in China's WTO accession and our decision regarding Permanent Normal Trade Relations.

The economic reasons for PNTR are clear cut. Our markets already are open to China; the agreement we reached to bring China into the WTO doesn't require that we open them further in any way. What it does is to open China's markets to our workers, our farmers, our businesses. That means more jobs, growth, and exports for Americans. China will join the WTO regardless of what we decide to do. The decision before Congress is whether the United States will receive the same trade benefits from China as will our trade competitors.

The national security implications are even more far-reaching. Bringing China into the WTO will entwine China in the global economy, increasing its interdependence with the rest of the world. It will bring the information revolution -- with the knowledge and freedom of thought that entails -- to millions of people in China in ways its government cannot possibly control. It will accelerate the dismantling of China's state-owned enterprises -- a process that is getting government out of people's lives and sparking social and political change all over China. It will strengthen China's reforms and the reformers behind them.

That is reason enough to vote for PNTR. But I am also concerned about what a vote against PNTR would do. It would have extremely harmful consequences for our national security. Because the economic case for PNTR is so strong, the Chinese will see a rejection as a strategic decision by the United States to turn from cooperation to confrontation, to deal with China as an adversary. That would undercut the reform-minded leaders who signed this agreement with us, and strengthen the hand of hard liners who believe cooperating with the United States is a mistake. Those are the same forces most threatened by our alliances with Japan and Korea, the same forces that want the Chinese military to sell dangerous technologies, and the same forces that would pursue confrontation with Taiwan rather than dialogue.

It's no surprise that Taiwan's President-elect Chen strongly supports China's membership in the WTO, and wants us to grant PNTR. He understands the importance of the stability that will come from good US-China relations and China's membership in the WTO. If both Beijing and Taiwan are in the WTO, it will increase their interdependence and therefore the cost to Beijing of confrontation. If China is shut out, tensions in the Taiwan Strait will likely rise. Our ability to ease them will diminish.

We will spare no effort in the coming days and weeks to make sure that the Congress and the American people understand what the stakes are. And I am confident that when the debate is over and the votes are cast, the Congress will do what is right -- both for our prosperity and our security.

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3/8/00 10:00 p.m.
Orzulak

**PRESIDENT WILLIAM JEFFERSON CLINTON
REMARKS TO JOHNS HOPKINS UNIVERSITY
SCHOOL OF ADVANCED INTERNATIONAL STUDIES
ON CHINA
WASHINGTON, DC
MARCH 8, 2000**

Acknowledgments: former Representative Lee Hamilton; President William Brody; Dean Paul Wolfowitz; National Security Advisor Sandy Berger; Secretary Bill Daley; Secretary Larry Summers; Secretary Dan Glickman; Ambassador Charlene Barshefsky; National Economic Advisor Gene Sperling; distinguished guests; ladies and gentlemen.

I want to thank Johns Hopkins University and the School of Advanced International Studies for the opportunity to come here today and talk about China. For the past decade or so, this school has shared a unique program with Nanjing University. It trains leaders in both of our countries who will guide our future relationship. So this is a good place to talk about a decision America has to make this year that could change not only our relationship with China, but China itself.

Last fall, as many of you know, America signed an agreement to bring China into the World Trade Organization on terms that will dramatically open its market to American products. When China concludes similar agreements with other countries, it will join the WTO. But for us to benefit from China's entry, we must first grant it Permanent Normal Trade Relations status, which is the same arrangement we have given to other countries in the WTO. Today, I am submitting legislation to the Congress that will do just that. I urge the Congress to act as soon as possible.

Let me be clear: the Congress will not be voting on whether China will join the WTO; the Congress can only decide whether the United States will share in the economic benefits. A vote against PNTR will cost America jobs; it will also cost America opportunity as our competitors in Europe, Asia, and elsewhere capture Chinese markets that we would otherwise have served.

At the same time, Members of Congress want to know why the decision to let China into the WTO is not only in America's economic interest, but in our overall national interest, and why we made the choice we made last fall. So I'm going to work as hard as I can to encourage Americans to embrace that choice. Because I believe with all my heart that this step represents the most significant step we have taken to create positive change in China since President Nixon first went to China nearly three decades ago.

For a long time now, Americans have debated our relationship with China, partly because our perceptions of China keep changing.

In the early 1900s, most Americans saw China either through the eyes of traders seeking to win markets, or missionaries seeking to win hearts. During World War II, China was our ally. During the Korean War, it was our adversary. At the dawn of the Cold War, when I was growing up, it was a cudgel in a political battle – who lost China? Later, it was a counterweight to the Soviet Union. Now, in some people's eyes it's a caricature: either the next great capitalist tiger with the biggest market in the world, or the world's last great communist dragon and a threat to stability in Asia -- the land of a billion customers, or the land of a billion prisoners.

Our changing perceptions of China only superficially reflected the profound changes that have taken place within China – the fallen dynasties, foreign invasions, civil wars, cruel famines, a communist revolution, an industrial revolution, and now the beginning of a market revolution.

Through all this upheaval, there has been one constant: America's stake -- our profound national interest -- in the outcome. For the past 30 years, every American President, without regard to party, has worked for a China that contributes to the stability, not the instability, of Asia; that is open to our products; that upholds the rule of law at home and plays by international rules.

There is a simple reason. We are a nation that has fought three wars in Asia in the 20th Century. We have a strong stake in Asian peace and stability. But we are also a nation that cherishes liberty and believes that if people are free to make their own choices, the world will be a safer and more prosperous place. That's why we have a strong stake in a more open China.

The path China takes is China's choice. We can't control it. But we can control the choices we make. We can work to pull China in the right direction; or we can turn our backs and almost certainly push it in the wrong direction. This WTO agreement will move China in the right direction, and advance the goals America has worked for in China the past 30 years. I want to talk today about how and why.

This has been called a free trade agreement. But let's understand from the beginning: it is not like most trade agreements. This agreement is the trade equivalent of a one-way street. This agreement requires China to open its markets to our products and services in unprecedented new ways; we simply agree to maintain the market access that we already give to China. It does not change our tariffs one bit.

We are a country with four percent of the world's population. If we want to continue to grow, we've got to sell more and more things to more and more people around the world. And where better than China? With more than a billion people – over one-fifth of the world's population -- China is the biggest potential market in the world, and under China's WTO accession agreement, America will gain unprecedented access to it.

Chinese tariffs, from telecommunications products to automobiles to agriculture, will fall by half or more over five years. For the first time, our companies will be able to sell and distribute products in China made by workers here in America, without being forced to relocate manufacturing to China, sell through the Chinese government, or transfer valuable technology to

China. We'll be able to export products without exporting jobs. Meanwhile, we'll get valuable new safeguards against any surges of imports from China. We are already preparing for the largest enforcement effort ever given to a trade agreement.

If the Congress passes PNTR, then we reap these rewards. If Congress rejects it, then our competitors do. I will say this again, because we must understand the consequences of saying no: if we don't sell our products to China, some other country will, and we will spend the next twenty years regretting it. We will spend the next 20 years wondering why we ever handed over all the benefits we negotiated – giving a competitive edge to Europe, Japan, and others.

Of course, we are going to continue our efforts not just to expand trade, but to expand it in a way that reinforces our most fundamental values. Trade must not be a race to the bottom – whether we're talking about child labor, basic working conditions, or environmental protection. The more we hunker down and refuse to devote time to these issues, the more we are going to fuel the fires of protectionism, not put them out. We've got to get out of denial of what's happening. That's why we will continue our efforts to make the WTO itself more open, transparent, and participatory, and to elevate the consideration of labor and environmental issues in trade.

On purely economic grounds, the China WTO agreement is a win-win. Most of its critics don't seriously question that. They are more likely to say: China is a growing threat to Taiwan and its neighbors, and we shouldn't strengthen it. Or, China violates labor rights and environmental standards, and we shouldn't enrich it. Or, China is an offender of human rights, and we shouldn't reward it. Or, China is a dangerous proliferator, and we shouldn't empower it.

And most of their concerns are absolutely legitimate.

Those of us who support the China WTO agreement are under no illusion about the government in Beijing. It is a one-party state that does not tolerate opposition. It denies its citizens the most

fundamental rights of free speech and religious expression. It defines its interests in the world in ways often at odds with our own. But let me be clear: the question is not simply whether we approve or disapprove of China's practices. The question is, what can we do to improve them?

This is not a contest between economic rights and human rights, or economic security and national security. These are false choices. We're not trying to promote one over the other, we are trying to promote both. Membership in the WTO won't create a free society in China overnight, or guarantee that China will play by global rules. But over time, we believe it's going to move China faster and further in the right direction.

To understand how, it's important to understand why China is willing to do what it has undertaken in this agreement. Why they are doing this is as important as what they are doing.

Over the past 20 years, China has made great progress in building a new economy, lifting more than 200 million people out of absolute poverty. It is linking so many people through its efforts to build a new communications network that is it adding the equivalent of a new Baby Bell every year. Nationwide, China has seen the emergence of more than one million nonprofit and social organizations, and a 2,500 percent explosion of print and broadcast media.

But its system is still plagued by corruption. Only about one-third of its economy is private enterprise. And nearly 60 percent of its investment and 80 percent of all business lending is directed toward state-owned dinosaurs that are least likely to survive in the global economy. Much of China's economy today still operates under the old theory that if they had just shoveled coal into the furnaces faster, the Titanic would have stayed afloat.

Meanwhile, its workforce is increasing by 12 million each year. At least 100 million people in China are still looking for work. And its economy is not creating jobs fast enough to meet the

needs of its people. It's ironic: many Americans are legitimately concerned about the danger a strong and successful China could pose to us in the 21st century. But the danger of a weak China, beset by internal chaos and disintegration is also real, and China's leaders know it.

So China's leaders face a dilemma: they realize that if they open China's antiquated market to global competition, they risk unleashing forces beyond their control – temporary unemployment, social unrest, and greater demands for freedom. But they have also concluded that without competition from the outside, China will not be able to attract investment or build world-class industries that can survive and grow in the global economy.

With this agreement, China has chosen reform, despite the risks. The question for America is: do we want to play a constructive role in encouraging those reforms? Or do we want to reject China's choice, and become bystanders as the rest of the world rushes in? I think that would be a mistake of historic proportions. This is a choice we must embrace, for our own good and the good of the world.

When I see this debate about China going on in our country, I remind people that the Chinese are engaged a debate about us. Not just China's leaders, but many of China's people believe we don't want their country to assume a respected place in the world. If China joins the WTO and we turn our backs, many Chinese will see this as an American vote for failure in China.

Let's not forget: there is a reason China built the Great Wall. It has endured centuries of invasions and occupations; it has tried for most of its history to keep the world out. By joining the WTO, they've made a clear choice -- to overcome a great wall of suspicion and insecurity and engage the rest of the world. Again, I ask: if they're willing to reach out to us, do we really want to turn our backs?

I am telling you, everything I have ever learned in my life, and everything I have learned about

China, convinces me that we have a far greater chance of influencing China's actions if we bring it into the world than if we shut it out.

Under this agreement, some of China's most important decisions, for the first time, will be subject to the review of an international body. China is conceding that its actions are subject to rules consistently applied. Opponents say that doesn't matter; China will just break its promises. But if it does, we're still better off, because its actions will be subject to rules embraced and judgments passed by 135 nations.

But the change this agreement can bring from the outside-in is nothing compared to the change it can bring from the inside-out. By joining the WTO, China is not simply agreeing to import more of our products; it is agreeing to import one of democracy's most cherished principles: economic freedom. The more China liberalizes its economy, the more fully it will liberates the potential of its people -- their initiative, their imagination, their spirit of enterprise. And when individuals have the power not just to dream but to realize those dreams, they will demand a greater say in their own destiny.

Already, more and more, China's best and brightest are starting their own companies, or seeking jobs with foreign-owned companies -- where they generally get higher pay, more respect, and a better work environment. In fits and starts, for the first time, China may become a society where people get ahead based on what they know rather than who they know. Surveys show that American businesses in China are leading the market in developing human resources -- by emphasizing teamwork and respect for individual rights. In turn, Chinese firms are realizing that unless they treat employees with respect, they will lose out in the competition for top talent. This process will only accelerate as China joins the WTO, and we should encourage it, because it will lift standards for Chinese workers -- and their expectations.

But there is something even more revolutionary at work here. By taking this step, by lowering the barriers that protect its state-owned industries, China is speeding a process that is removing government from vast areas of its people's lives. In important ways, this step will take the command and control out of communism.

Let's not forget how communism works. In the past, virtually every Chinese citizen woke up in an apartment or house owned by the government, went to work in a factory or farm run by the government, read newspapers published by the government. State-run workplaces also operated the schools where they sent their children, the clinics where they received health care, and the stores where they bought food.

That system was a big source of the Communist Party's power. Now people are leaving those firms, and when China joins the WTO, they will leave them faster. The Chinese government will no longer be everyone's employer, landlord, shopkeeper and nanny rolled into one. It will have fewer instruments to control people's lives. And that may lead to profound change.

A few weeks ago, the Washington Post had a good story about the impact of these changes in the city of Shenyang in China. Since 1949, most of the people of Shenyang have worked in massive state-run industries. But as these old factories and mills shut down, people are losing their jobs -- and their benefits. Last year, Beijing announced that it was going to be awarding bonus checks to Chinese citizens to celebrate China's 50th anniversary under communism. But Shenyang didn't have the money to pay, which sparked a massive protest. So to ease tensions, the local government has given the people a say in how the city is run. On a limited basis, citizens now have the right to vote in local elections. It's not exactly democracy, because the Party still puts up the candidates, and decides who can vote. But it's a first step. And it's not just happening in Shenyang. Local elections are now held in the vast majority of the country's 900,000 villages.

When asked why, one Party official in Shenyang said: "This is the beginning of a process. We realized that in order to improve social control, we have got to let the masses have a say." The genie of freedom will not go back in the bottle. As Earl Warren once said: "Liberty is the most contagious force in the world."

And how will liberty spread, in this new century? The answer is obvious: in the information age, liberty is carried in part by cell phone; it is conducted by cable modem. China's information infrastructure is growing fast, by orders of magnitude that defy measurement. In the past year, the number of Internet addresses in China more than quadrupled from two million to nine million. This year, the number is expected to grow to 20 million. Now, project that rate of growth onto a country that has 1.2 billion people.

When China joins the WTO, by 2005, it will eliminate its tariffs on information technology products – making the tools of communication even cheaper, better, and more widely available. This will allow them to communicate with each other -- to share ideas and information -- in ways that no government can control. We know how much the Internet has changed America -- and we are already an open society. Just imagine how much it could change China.

There is no question China has been trying to crack down on the Internet. Well, good luck. In this information age, cracking down on the Internet is like trying to nail Jello to the wall. It just proves how real these changes are and how they threaten the status quo. It's not an argument for slowing down the effort to bring China into the world, but for accelerating it.

I think China is going to learn what every other nation is learning as we embrace this knowledge-based economy: you can't expect people to be innovative economically while being stifled politically. Bringing China into the WTO doesn't guarantee it will choose political reform. But accelerating the process of economic change will force China to confront that choice sooner, and

it will make the imperative for the right choice far stronger. And again, if China is willing to take this risk, how could we possibly turn our backs?

This is not to say that China's membership in the WTO alone will accomplish all of the goals of our policy toward China. It is not, by itself, a human rights policy for the United States. Change will only come through a combination of internal pressure and external validation of China's human rights struggle. And we must maintain our leadership in the latter, even as the WTO agreement contributes to the former.

That's why we sanctioned China under the International Religious Freedom Act last year. It is why we are 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.

At the same time, we must continue to reject the use of force as a means to resolve the Taiwan question, and make absolutely clear that the issues between Beijing and Taiwan must be resolved peacefully and with the assent of the people of Taiwan. We must shift from threats to dialogue across the Taiwan Strait. We will continue to encourage both sides to seize this opportunity after the Taiwan election and avoid the risk of direct confrontation.

In other words, we must and will continue to defend our interests and our ideals with candor and consistency. But we will not and cannot do so by isolating China from the very forces most likely to change it. If we did that, it would be a gift to the hard-liners in China's government who don't want their country to be part of the world. Keep in mind: These are the same people most eager to settle differences with Taiwan by force. The same people most threatened by our alliances with Japan and South Korea. The same people who would like to keep the Chinese military in the business of selling dangerous technologies around the world. The same people

whose first instinct in the face of opposition is to throw people in jail.

Voting against PNTR won't free a single prisoner in China, or create a single job in America, or reassure a single American ally in Asia. It would simply empower the most rigid, anti-democratic elements in the Chinese government. It would leave the Chinese people with less access to information, less contact with the democratic world, more resistance from their government to outside ideas. Our friends and allies would wonder why, after 30 years of pushing China in the right direction, we turned our backs now.

I find it encouraging that the people with the greatest interest in seeing China change agree with that. The people of Taiwan agree. Despite all the tensions they have had with Beijing, they are doing everything they can to cement their economic ties with the mainland, and they want to see China in the WTO. The people of Hong Kong agree. I recently received a letter from Martin Lee, the leader of Hong Kong's Democratic Party. He has spent his life struggling for free elections and free expression for his people. And he wrote to me that this agreement "represents the best long-term hope for China to become a member of good standing of the international community . . . We fear that should ratification fail . . . any hope for the political and legal reform process would also recede." Martin Lee wants us to vote in favor of PNTR.

Most of the evangelicals I know who have missions in China also want China in the WTO because they know that it will encourage freedom of thought and more contact with the outside world. Many of the people who have paid the greatest price under Chinese repression agree, too. Ren Wanding is one of the fathers of the Chinese human rights movement. In the late 1970s, he was thrown in prison for founding the China Human Rights League. In the 1980s, he helped lead the demonstrations at Tiananmen Square. In the 1990s, he was thrown in prison again. Yet, he says of this deal: "before, the sky was black, now it is light. This can be a new beginning." For these people, fighting for freedom in China is not an academic exercise or a legislative

debate, it is their life's work. They are telling us that this is the right thing to do.

If you believe in a future of greater openness and freedom for the people of China; you should be for this agreement. If you believe in a future of greater prosperity for the American people, you should be for this agreement. If you believe in a future of peace and security for Asia and the world, you should be for this agreement. This is the right thing to do. It is a historic opportunity. And I am going to work as hard as I can to convince Congress and the American people that America should embrace it, and lead the world to do the same. Thank you.

East Room Validators Event

Former Presidents (NSC)

George Bush
Jimmy Carter
Gerald Ford

Former Vice-Presidents (NSC)

Walter Mondale
Dan Quayle

Secretaries of Agriculture (USDA)

Bob Bergland
John Block
Earl Butz
Orville Freeman
Mike Espy
Clifford Hardin
Richard Lyng
Clayton Yeutter

Secretaries of State (State)

James A. Baker III
Warren Christopher
Lawrence S. Eagleburger
Alexander Haig, Jr.
Henry A. Kissinger
George P. Shultz

Secretaries of Treasury (Treasury)

Secretaries of Treasury
James A. Baker III
Llyod M. Bentsen
W. Michael Blumenthal
Nicholas F. Brady
Douglas Dillon
G. William Miller
Robert E. Rubin
George Shultz
William Simon

Secretaries of Commerce (Commerce)

John Connor
Frederick Dent
Barbara Franklin
Mickey Kantor
Juanita Kreps
Robert Mosbacher
Pete Peterson
Maurice Stans ←
Alexander Trowbridge
Bill Verity

U.S. Trade Representatives (USTR)

National Security Advisers (NSC)

Nobel Laureates (CEA)

14+ - letter out next week

Religious Leaders (WH OPL)

NGO Leaders (WH OPL)

Academics/Scholars (NSC/State)

Former Legislators (WH Legislative)

Business Leaders (WH OPL)

Governors (WH IGA)

Mayors and other Intergovernmental (WH IGA)

Former Ambassadors (State)

Retired Military Leaders (NSC)

Honored Guests

Talking Points on National Security Consequences of Rejecting PNTR

- China will accede to the WTO this year on the terms forged in the US-China bilateral negotiation. Rejection by the Congress will be seen, in China and elsewhere, as a strategic decision by the US to adopt an anti-China posture. Adoption of PNTR has both economic and national security benefits. Rejection of PNTR creates a dangerous set of national security costs bilaterally, regionally, and globally.
- On the plus side, PNTR will reduce the volatility and improve the atmosphere of bilateral U.S.-China relations. Will increase economic interdependence, reduce the trade deficit, strengthen reformers in China, and accelerate economic success, which reduces political instability.
- Better U.S.-China relations make China more inclined to cooperate with the US on a broad range of issues, like nonproliferation, regional security, peacekeeping, human rights, and arms control.
- Good for Taiwan's security by increasing cross-Strait economic interdependence and thus improving mutual understanding and increasing the costs of potential conflict. A better US-China relationship also makes China less suspicious of American ties with Taiwan. Will clearly strengthen Hong Kong's economy as well.
- That is reason enough to vote for PNTR. But must also understand that defeat of PNTR will have extremely harmful consequences for our national security.
- Because Beijing will not be able to fathom an economic reason for rejecting PNTR, it will see rejection of PNTR as proof that the United States has decided on an adversarial relationship with China. We can then soon find ourselves confronting and undercutting each other across Asia and globally.
- China has already been debating, just as we have, whether our future will be based on cooperation or conflict. A negative PNTR vote will make the Chinese far more likely to read hostile intent — a desire ultimately to encircle, destabilize, and isolate China — into every move. This fundamentally increases the chances of a chain reaction that can spiral into profoundly costly consequences for us (and for China).
- The rejection of PNTR will produce domestic changes in China that make future conflict with us more likely. It will weaken reformers like Zhu Rongji and will strengthen those who seek to invest more in the military industrial complex domestically and to confront the United States abroad. The resulting shifts in leadership and in thrust of national policy will make it far harder to maintain the US-China relationship on an even keel. Indeed, the Chinese government would become more likely to stoke anti-American nationalism to distract ordinary Chinese frustrated over a closed, poorly performing system.
- **Why worry about a more confrontational US-China relationship?** The consequences of a fundamentally hostile US-China relationship are extremely serious, especially if the world

sees the US as having rejected the opportunity for more stable, constructive ties. Those consequences will be felt in every area: nonproliferation and arms control; conflict reduction in Korea, South Asia, and elsewhere; transnational crime control; environmental security; and economic stability and growth.

- Taiwan's President-elect Chen publicly supports China's membership in the WTO and wants us to grant PNTR status. He understands that a disruption of economic ties between the United States and China hurts Taiwan's economic and diminishes its security.
- If we were to reject PNTR, our friends throughout Asia would doubt our ability and commitment to promote the region's security and prosperity. All leaders in Asia want stable, constructive US-China relations. All would see our decision to reject PNTR as a sign that America is not recognizing the basic requirements of our role as a leader in Asia and a steward of the global economy. If we try to line up Asian countries to join us in dealing with a belligerent China, we will have reluctant and uncertain friends. The net effect will be to disrupt natural markets and hold down growth and to foster region-wide political resentment of American rigidity. Japan and the ROK will become particularly apprehensive under these conditions.
- China could cause us global security problems as well, by distancing itself from our nonproliferation objectives and scuttling our ability to seek multilateral solutions in the UN Security Council.
- Realistically, America's capacity for global leadership will also be reduced. Many will feel that failure now to adopt PNTR for China indicates that America is turning inward, not recognizing the basic requirements of our role as a major player in Asia and as a steward of the global economy. That sense of an unreliable, unilateral America will make it more difficult for us to gain support for our international initiatives more generally. Although reputation and credibility are abstract, they have profound consequences for our ability to elicit real-world cooperation.
- Finally, rejection of PNTR can lead to a less effective Chinese system, one that fails to meet the basic challenges it confronts. The result can be major economic disruption and political instability. This would in turn present the United States with very difficult challenges – potential nuclear proliferation, transnational crime, illegal emigration, and so forth.
- In other words, a rejection of PNTR would lead to shifts in leadership and in thrusts of national policy in China that would make it much harder for us to make progress on issues we care most about. Internal political dynamics in China, combined with a fundamental decline in trust, could easily tip the scales toward confrontation.

out in the competition for top talent. The process will only accelerate if China joins the WTO, and we should encourage it because it will lift standards for Chinese workers and their expectations.

There's something even more revolutionary at work here. By lowering the barriers that protect state-owned industries, China is speeding the process that is removing government from vast areas of people's lives.

In the past, virtually every Chinese citizen woke up in an apartment or a house owned by the government, went to work in a factory or a farm run by the government, and read newspapers published by the government. State-run workplaces also operated the schools where they sent their children, the clinics where they received health care, the stores where they bought food. That system was a big source of the Communist Party's power. Now people are leaving those firms. And when China joins the WTO, they will leave them faster.

The Chinese government no longer will be everyone's employer, landlord, shopkeeper and nanny all rolled into one. It will have fewer instruments, therefore, with which to control people's lives. And that may lead to very profound change.

A few weeks ago, The Washington Post had a good story about the impact of these changes on the city of Shenyang. Since 1949, most of the people of Shenyang have worked in massive, state-run industries. But as these old factories and mills shut down, people are losing their jobs and their benefits. Last year, Beijing announced it was going to be awarding bonus checks to Chinese citizens to celebrate China's 50th anniversary under communism. But Shenyang didn't have the money to pay, and there was a massive local protest.

To ease tensions, the local government has given the people a greater say in how their city is run. On a limited basis, citizens now have the right to vote in local elections -- not exactly a democracy; the party still puts up the candidate and decides who can vote, but it is a first step. And it goes beyond Shenyang. Local elections now are held in the vast majority of the country's 900,000 villages.

When asked why, one party official in Shenyang said, "This is the beginning of a process. We realize that in order to improve social control we have got to let the masses have a say." Well, sooner or later that official will find that the genie of freedom will not go back into the bottle. As Justice Earl Warren once said, "Liberty is the most contagious force in the world."

In the new century, liberty will spread by cell phone and cable modem. In the past year, the number of Internet addresses in China has more than quadrupled from 2 million to 9 million. This year, the number is expected to grow to over 20 million. When China joins the WTO, by 2005, it will eliminate tariffs on information technology products, making the tools of communication even cheaper, better, and more widely available.

We know how much the Internet has changed America, and we are already an open society. Imagine how much it could change China.

Now, there's no question China has been trying to crack down on the Internet -- good luck. (Laughter.) That's sort of like trying to nail Jello to the wall. (Laughter.) But I would argue to you that their effort to do that just proves how real these changes are and how much they threaten the status quo. It's not an argument for slowing down the effort to bring China into the world, it's an argument for accelerating that effort. In the knowledge economy, economic innovation

and political empowerment, whether anyone likes it or not, will inevitably go hand in hand.

Now, of course, bringing China into the WTO doesn't guarantee that it will choose political reform. But accelerating the progress, the process of economic change, will force China to confront that choice sooner, and it will make the imperative for the right choice stronger. And, again, I ask: If China is willing to take this risk -- and these leaders are very intelligent people, they know exactly what they're doing -- if they're willing to take this risk, how can we turn our backs on the chance to take them up on it?

Now, I want to be clear. I understand that this is not, in and of itself, a human rights problem. But, still, it is likely to have a profound impact on human rights and political liberty. Change will only come through a combination of internal pressure and external validation of China's human rights struggle. We have to maintain our leadership in the latter, as well, even as the WTO contributes to the former.

We sanctioned China under the International Religious Freedom Act last year. We're again sponsoring a resolution in the U.N. Human Rights Commission condemning China's human rights record this year. We will also continue to press China to respect global norms on nonproliferation. And we will continue to reject the use of force as a means to resolve the Taiwan question, making absolutely clear that the issues between Beijing and Taiwan must be resolved peacefully and with the assent of the people of Taiwan. There must be a shift from threat to dialogue across the Taiwan Strait. And we will continue to encourage both sides to seize this opportunity after the Taiwan election.

In other words, we must continue to defend our interests and our ideals with candor and consistency. But we can't do that by isolating China from the very forces most likely to change it. Doing so would be a gift to the hard-liners in China's government, who don't want their country to be part of the world -- the same people willing to settle differences with Taiwan by force; the same people most threatened by our alliance with Japan and Korea; the same people who want to keep the Chinese military selling dangerous technologies around the world; the same people whose first instinct in the face of opposition is to throw people in prison. If we want to strengthen their hand within China, we should reject the China-WTO agreement.

Voting against PNTR won't free a single prisoner, or create a single job in America, or reassure a single American ally in Asia. It will simply empower the most rigid anti-democratic elements in the Chinese government. It would leave the Chinese people with less contact with the democratic world, and more resistance from their government to outside forces. Our friends and allies would wonder why, after 30 years of pushing China in the right direction, we turned our backs, now that they finally appear to be willing to take us up on it.

I find it encouraging that the people with the greatest interest in seeing China change agree with this analysis. The people of Taiwan agree. Despite the tensions with Beijing, they are doing everything they can to cement their economic ties with the mainland and they want to see China in the WTO.

The people of Hong Kong agree. I recently received a letter from Martin Lee, the leader of Hong Kong's Democratic Party, who has spent a lifetime struggling for free elections and free expression for his people. He wrote to me that this agreement, "represents the best long-term hope for China to become a member of good standing in the international community. We fear that should ratification fail, any

hope for political and legal reform process would also recede." Martin Lee wants us to vote in favor of PNTR.

Most evangelicals who have missions in China also want China in the WTO. They know it will encourage freedom of thought and more contact with the outside world. Many of the people who paid the greatest price under Chinese repression agree, too. Ren Wanding is one of the fathers of the Chinese human rights movement. In the late 1970s, he was thrown into prison for founding the China Human Rights League. In the 1980s, he helped lead the demonstration in Tiananmen Square. In the 1990s, he was thrown in prison yet again. Yet, he says of this deal, "Before, the sky was black; now it is light. This can be a new beginning."

For these people, fighting for freedom in China is not an academic exercise or a chance to give a speech that might be on television. It is their life's work. And for many of them, they have risked their lives to pursue it. I believe if this agreement were a Trojan Horse they would be smart enough to see it. They are telling us that it's the right thing to do, and they are plainly right. (Applause.) Thank you.

So if you believe in a future of greater openness and freedom for the people of China, you ought to be for this agreement. If you believe in a future of greater prosperity for the American people, you certainly should be for this agreement. If you believe in a future of peace and security for Asia and the world, you should be for this agreement. This is the right thing to do. It's an historic opportunity and a profound American responsibility.

I'll do all I can to convince Congress and the American people to support it. And, today, I ask for your help. Thank you very much. (Applause.)

END

4:17 P.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 1, 2000

REMARKS BY THE PRESIDENT
TO UUNET AND MCI WORLDCOM EMPLOYEESUUNet Technologies
Ashburn, Virginia

3:15 P.M. EST

THE PRESIDENT: Thank you very much, Melissa. To Bernie and John and Mark, thank you for welcoming me and Ambassador Barshefsky and our whole team here. I leaned over to John when I looked at all of you out here and I said, now, I can't believe all these people are off work now, what terrible thing can happen? (Laughter.) What could I be responsible for doing to the Internet today? (Laughter.)

I am profoundly honored to be here, and I thank all of you for allowing me to come. I came here to talk about your future, but because this is the only opportunity I'll have today to speak, through you and the media to the American people, I have to make a brief comment about one other issue.

Today there was another terrible shooting in the Wilkesburg community in Allegheny County in Western Pennsylvania. We don't know all the facts yet, but it was a bad situation. Yesterday, of course, that tragedy occurred in Michigan, where a very young child was killed by another very young child. I just talked to the superintendent of schools there, right before I came out.

I want to say two things about it to all of you. First of all, these are personal tragedies that, because of instantaneous media coverage, we all know and feel. And we owe the families of the victims and the communities our prayers and our best wishes.

Secondly, as citizens, these incidents, particularly the one yesterday in Michigan, call on us to recognize the fact that we simply haven't done everything we can do to keep guns away from criminals and children. And so today, I have to say again to Congress: you have had legislation now that would require child safety locks, would close the gun show loophole, would take other steps to keep guns out of the wrong hands for well over six months. You're supposed to take a recess next week. Before you take the recess, please send me this legislation. It will help keep America safer. (Applause.) Thank you.

Now, I want to talk to you today about your future, which is unfolding at a breathtaking rate. We were talking, before we came out, I said, tell me a little about the growth. So John said, well, five years ago we had 40 employees, today we have 8,000. Bernie said, five years ago, we had 2,000 employees, today we have 88,000. You're getting along reasonably well. (Laughter.)

I have been going around the country saying to my fellow Americans everywhere that in a new economy in which we have now in the last seven years 21 million new jobs, the lowest unemployment and welfare rolls in 30 years, the lowest poverty rates in 20 years, the lowest female

unemployment rate in 40 years, the lowest African American and Hispanic unemployment rates ever recorded, the highest homeownership on record and the longest economic expansion in our history, the world is changing so fast, if you want to keep doing well, you have to keep trying to do better; that it is very important that all of us understand that we'll never get anywhere by standing still -- although, given the pace at which you're growing, I'm glad I'm giving you the chance to stand still for a little bit today. (Laughter.)

This shift in our economy is changing the landscape of our country, both symbolically and literally. I first saw the landscape of Northern Virginia as a freshman in college, 36 years ago. But it looks different than it did when I became President, seven years ago. Everywhere you look, there's a brand-new facility. This place is truly amazing. And beneath all the booming business parks and green pastures, there are countless miles of cable, conducting more than over half the Internet traffic in the entire world.

There are more high-tech firms in Northern Virginia today than there were farms in 1970, when the region led the state in the production of milk. (Laughter.) Here in Loudoun County, there are more high-tech workers than there were residents in 1980. It has been an amazing thing. Workers like you and firms like UUNet are the new engines driving our economy. You represent about 8 percent of our employment, but 30 percent of our growth over the last decade, something you can be very proud of.

The new technologies that you use are also finding their ways into every sector of our economy, making companies of all kinds more competitive. UUNet provides a lot more than Internet service. Every day you show us something about the power of ideas, the power of imagination, the power of enterprise; values that are at the core of America's character and at the bottom of this booming new globalized economy, in a marketplace that is much, much wider and fuller of possibility than any of us could have imagined when this company sold its first commercial connection in 1988.

In just 12 years you've extended your reach to 100 countries, expanding your global network by more than 1,000 percent a year. The global network is a big part of your future, and that's what I want to talk about today, and what government's role in that is.

People ask me all the time, well, this is the highest percentage of growth in jobs in the private sector, and the smallest percentage in the government of any recovery we've ever had, since we could measure such things. As a matter of fact, since I've been President, we've reduced the size of government to its smallest point in 40 years, since 1960.

So people say, well, what is your job, Mr. President? What is the Congress's job? I think our job is to create the conditions and provide the tools for you to do your job. What does that mean? That means we ought to invest in education and training and new technologies. There's a lot of research that can't efficiently and economically be done in the private sector.

The Internet originally grew out of government-funded research, which, as I was reminded today by your leaders, is one of the reasons there are so many high-tech firms in Northern Virginia. Second, we've got to give you an overall healthy economy, which is why we had to get rid of the deficits and start running surpluses, and why we ought to pay this country out of debt, keep interest rates down and make capital available for other companies to grow as well.

The third thing we ought to do is to promote genuine competition.

That was behind the gentle nudge that Bernie gave me about the Baby Bell comment. (Laughter.) He was -- actually, it was a little inside joke, but he was referring, in a supportive way, to the fact that the Vice President and I fought hard in the Telecommunications Act, when we rewrote the telecommunications bill for a pro-competitive position. And because we fought hard, we got it, and you not only have companies like yours that have swollen in size in the last five years, there are hundreds and hundreds of companies that didn't even exist five years ago that are able to make it today because the United States took a pro-competitive position in the Telecommunications Act. Those are our jobs. That's what we're supposed to do. (Applause.)

But finally, we are a country with 22 percent of the world's income and 4 percent of the world's population. And you don't have to be Einstein or even particularly good with a computer to know that if you've got 22 percent of the world's income and four percent of the world's population and you would like to keep doing better, you have to sell something to somebody somewhere else. (Laughter.)

And that in a world that is increasingly globalized, you're better off when they're better off. Not good for you that African countries which are capable of growing at 7, 8, 10 percent a year are so burdened by debt that they can't educate their children or provide health care to their people. It's not good for you if -- because we refuse to open our markets to some countries in the Caribbean or Latin America, they don't open their markets to ours and they grow more slowly and their people remain poorer. You'd be better off if they get richer and more of them will be on the Internet.

We live in a time when really to doing the morally right thing happens to be good economics. But in order to do it, again I would say, you will do a lot of it -- I've seen enterprising kids in poor African villages logging onto the Internet and finally seeing a map that's up to date and learning geography and doing all kinds of things. People will take care of this if we establish the right conditions and provide the tools.

One of the things that we have worked hard on is to expand trade. Under Ambassador Barshefsky and her predecessor, we completed over 270 trade agreements. But in many ways, perhaps the most important of all is the agreement that -- or the decision Congress will have to make this year and in the next few months on whether to let China come into the World Trade Organization by giving them permanent, normal trading relation status with the United States.

If you've been following this debate at all, you know there is a lot of controversy about this in the Congress. And I won't go through all the arguments now, but let me just tell you, I can say this from my heart, you know, I'm not running for anything this year. (Laughter.) And most days it's okay with me, but I'm not -- most days. (Applause.)

But I care a lot about what this country will be like when the young people here in this audience are my age, when your children are your age. This is a profoundly important issue. It is, in the short term, the kind of decision that every country would wish for. Once in a generation you get a chance to open a market with over a billion consumers -- the biggest potential market in the world.

Let me explain, first of all, what this agreement does. In return for China's entry as a full partner in the World Trade Organization, the United States would gain unprecedented access to China's markets. Today, with the Chinese, we have our second-biggest trade deficit -- tens of billions of dollars, because our markets are open to their products, and they should be, because we'll be better off if they do

better.

But their markets are not very open to our products and services. Under this agreement, Chinese tariffs in every sector, from telecommunications to automobiles to agriculture, will fall by half or more in five years. For the first time, our companies will be able to sell and distribute products in China made by workers here at home without transferring technology in manufacturing -- never happened before. For the first time, China will agree to play by the same open trading rules we do. Never happened before.

Meanwhile, we'll get two tough, new safeguards against surges of imports which would threaten to throw a lot of Americans out of work in a short time under unfair trade practices. So these are the kinds of changes any president, regardless of party, would welcome -- because presidents, regardless of party, have worked to bring about these changes for more than 30 years now.

This is a good deal for American workers, for American farmers, for American business. It's a good deal for America. But the only way we can get this agreement is for Congress to give China permanent, normal trading relations. This is one of the most important votes Congress will pass in this year and for many years to come. Next month, our Commerce Secretary, Bill Daley, and our Agriculture Secretary, Dan Glickman, are going on missions to China with dozens of members of Congress to meet with people in government and business and religious leaders who are interested in change in China.

It's very interesting to me that the more people go to China and spend time there, no matter what they do for a living or what their perspective is, the more likely they are to favor our bringing China into the world system of rule-based trade. Because this is about economics and more than economics -- and I want to say more about that in a minute.

But just think about the economics of high-tech companies. Today, China's tariffs on information technology products average 13 percent. When China joins the WTO, those tariffs will start to fall and be eliminated by 2005. China will open its Internet and its telecom markets to American investment and services for the first time. That's a huge deal.

Now, the magnitude of all this almost defies measurement. The number of Chinese Internet users -- let's just take that -- quadrupled in the last year alone, from 2 million to 9 million. This year the number will exceed 20 million. And you know what the internal dynamics of this technology are, you know how much your company has grown. Now, project that rate of growth onto a country that has over 1.2 billion people. And keep in mind, the United States is not being asked to do anything to get this agreement, except to treat them like a normal trading partner on a permanent basis and bring them into the WTO.

So what are we going to do? China doesn't have the information infrastructure to support 500 million Internet users yet. But UUNet already has a presence in Hong Kong. You could help them to build it. (Applause.)

Let's look at what happens if we didn't do it. Today we've got a huge advantage in high-tech trade internationally. What would happen if we didn't take advantage of this? China will grow anyway and someone else -- not you -- will reap the benefits of it. So if we turn our backs on this opportunity, we will be unilaterally disarming in perhaps the most vital area of our future economic growth.

And let me say, finally, this is about more than money. I saw a lot of you nodding when I said it was good morally and good economics to help lift the burden of debt from the poorest African countries if they're working to try to do better. I saw a lot of you nodding when I said it was the right thing to do to buy more from the Caribbean and Latin America countries if they were doing the right thing in opening their markets to us.

We have a decision to make here. The people who don't to do this by and large think that China should not be taken into the World Trade Organization because we don't agree with all their political decisions. We don't like it when they repress human rights or political rights or religious expression. We don't agree with them that we should take little or no account of environmental impacts of economic decisions; or that we shouldn't take strong steps to eliminate child labor and slave labor and things like that. We have differences.

But think of this. You know how much the Internet has changed America. And we were already an open society. I can look out in this crowd and tell that many of you come from some place else. You know how much the Internet is changing where you came from and how much it could change if it were there. The same thing is true in China.

Everything I have learned about human nature in my life, plus everything I have learned about China as President, convinces me that we're a lot better off bringing them into the family of nations into this common endeavor than shutting them out. Do we know what China will be like in 20 years? Of course we don't. We can't control what they do; all we can control is what we do. But here again, I think our values will be advanced, along with our economic interests, if we give people a chance to be good partners. If you don't give them a chance, it's almost certain that they will react in a negative way.

So I ask all of you to think about this, because normally, Americans don't think about foreign policy much, but you know that with every passing day in a globalized economy, there is no longer a clear, bright line between an issue which is a domestic political issue and an issue which is a foreign policy issue.

With every passing day, these issues grow closer together. Do I like it when people's religious liberty is oppressed in China? No, I don't. But it's very interesting -- most of the evangelicals I know who have missions in China want China in the WTO because they know that that will make it more likely that there will be more freedom of expression, more contact with the outside world, and a bigger stake in working with other countries.

This is about money, yes; but it's about more than money. It's about whether we can create a world where there's the kind of harmony across race and ethnicity and religion that there must be in this work place that I can see just by looking around the room here. Wouldn't you like it if the world worked the way you do here? (Applause.) How could it be bad if companies like UUNet are able to make the tools of communications cheaper and better and more widely available to more Chinese people? It has to be good.

So I will say to you: I don't agree with everything the Chinese do. I'm sure they don't agree with everything I do. (Laughter.) And far be it for me to equate the two disagreements. (Laughter and applause.) I don't believe -- in all seriousness, I don't believe it's right to crack down on people for their religious views or their political expression or because they want to be in an association like the Falun Gong. I don't think that's right. But I don't believe that we will have more influence on China by giving them the back of our hand

instead of giving them a chance to build a different future.

That's what this is about. And I want every one of you to think about this. Look, economically, this is a no-brainer. It's in your interest. It will make this company a lot more jobs. But I don't ask you as citizens to check your values at the door. Every one of us believes in some things that money can't buy.

But I'm telling you -- you just think about what you have learned in your life about human nature. The leaders of China are not foolish people, they're intelligent people. They know if they open these markets, they know if you go in there and everybody gets connected to the Internet that change is coming more rapidly in ways that you cannot control, and people will be able to define their future independent of the government's ability to control it more than ever before -- whether you're talking about religion or politics or personal life choices or anything else. They know that. And they have made this decision, and we cannot let our disagreements with government policy get in the way of our interest in a long-term partnership with the most populous country on Earth. So, again, I say, what is good economics is also consistent with our values.

The late Chief Justice Earl Warren once said that, "Liberty is the most contagious force in the world." I believe the Internet inevitably is an instrument of human liberty, and it will be in China as well if we continue to reach out to people. (Applause.)

So I'm asking you to do something if you agree with this. I want you to tell the members of Congress without regard to party that represent your state -- if you live here, if you live in Maryland, you live in West Virginia -- I want you to ask them to support this. And I want you to tell them, I want you to tell them that you will stay with them on this decision if they do, because this is very, very important.

You know, I'm grateful that since I've been President, America has done well. I'm grateful for the chance I've had to make a contribution to it. But, frankly, I'm much more interested in whether America continues to do well long after my tenure in office. And, again, I say to you, if you know in your business that if you want to keep doing well, you always have to keep trying to do better; and looking at the future, anticipating the changes, imagining how you want it to be.

I can't imagine a world that I want for my child and my grandchildren that doesn't include partnerships that are constructive with the big countries of the world which promote human liberty, as well as economic progress. That's what this whole thing is about.

So I say to you, I came here today because you are the symbol of 21st century America. You are the embodiment of what I want for the future. (Applause.) And because of what you do for a living every day, because of how you see and feel the way the world is changing and how you see what it can become, you are in a position that most of your fellow Americans are not in to understand the importance of this. So, again, I say to you: you're doing great. I want you to do better. And I think we can do better and do good, but we have to start this year by making sure that we don't turn away from this profoundly important opportunity.

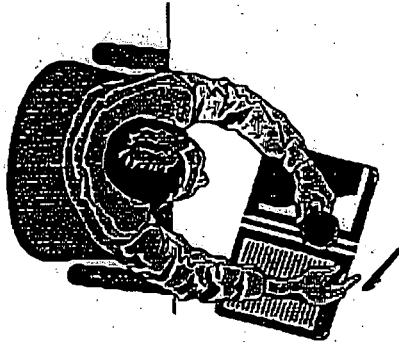
Thank you very much. (Applause.)

END

3:43 P.M. EST



U.S. Department of State



URGENT

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Tom -
Comments or clearance needed
by 4pm sharp this afternoon.
Sorry for the tight turn around.
Thanks & cheers.

Secretary's China PNTR Remarks at
Agilent Facility in Andover, Massachusetts

Thank you, Steve [Rusckowski]. It's a pleasure to be in the Boston area for the day, and a special treat to see the amazing things you do here at Agilent.

In this first year of the new millennium, America is at peace. Stock market gyrations notwithstanding, we continue to enjoy record prosperity. Our alliances are united and firm. And the ideals that underlie our own democracy have spread to every continent -- so that for the first time in history, more than half the world's people live under elected governments.

But experience warns us that we cannot relax if we hope to extend these beneficial trends. The framework for American leadership must include measures to maintain America as the hub of an expanding global economy; to control the threats posed by nuclear weapons and terror; to seize opportunities for settling regional conflicts; and to defend cherished principles of liberty and law.

These tasks may seem disparate, but each is necessary to our vision of a secure and prosperous America within an increasingly peaceful and democratic world. And each is related to one of the biggest questions our nation has faced in a long time -- and that is the current debate in Congress over Permanent Normal Trade Relations, or PNTR, for China.

In the coming years, we can expect that the pace of technological, social, economic and political change will continue to accelerate.

And we can expect that one of the forces propelling that change will be a China increasingly liberated from the Communist straitjacket, increasingly engaged in global commerce, and increasingly prominent in regional and world affairs.

In our own country, there are some who see this as very bad news. Pointing to China's rising military budget, its trade and arms export policies and its poor record on human rights, they say we should oppose China, seek to isolate it from the world community, and refuse permanent normal trade relations. To them, confrontation is the only principled option we have.

I do not agree.

2

Effective diplomacy results not from the recitation of principle alone, but from backing principle with realistic policies; from seeing that what is worth achieving is achieved.

And with respect to China and the United States, there is much that is worth achieving.

America has a profound economic interest in a China that opens its vast market and takes its place in a global trading system based on the rule of law.

We have an interest in encouraging the government in Beijing to observe labor and human rights, and in fostering changes in Chinese society that broaden the scope of human freedom.

And we have an abiding security interest in seeing a China that contributes to stability in the Asia Pacific and plays a constructive role in world affairs.

All of these interests will be served if Congress makes the right decision now on PNTR. All will be set back if PNTR is rejected. This morning, I'd like to explain why.

Last November, the United States signed an agreement designed to bring China into the World Trade Organization, or WTO, on terms that will open its market to American products, services and investment. China must conclude similar agreements with other countries and the European Union. When it does, it will join the WTO.

Our Congress will not vote on whether China enters the WTO. Sooner rather than later, China will join. The issue before Congress is whether America will share in the economic benefits, or leave those benefits entirely to our competitors in Europe, Asia and elsewhere. For America to benefit, under WTO rules, we must give China the same permanent normal trading status that we grant to the more than 130 other countries who belong to that organization.

The economic benefits of doing so are compelling.

Between 1993 to 1998, Massachusetts doubled its export of goods to China. That trend will accelerate sharply if Congress approves PNTR for China.

High tech and financial services are two of the top three employment industries in the greater Boston area. Both will

benefit significantly from the market-opening measures required by the World Trade Organization.

Agilent's own prospects tell this story well. Under our WTO deal signed in November, the tariffs on your hi-tech medical equipment sold in China will be cut by more than half. While overall industrial tariffs on U.S. products will fall, on average, from nearly 25 percent in 1997 to less than ten percent by 2005.

And if Congress approves permanent normal trading status, Agilent and other American companies will also gain the comprehensive distribution rights needed to take advantage of these lower tariffs. This means that, for the first time, you will be able to sell, advertise, and service your products in China without going through the government.

The agreement requires China to eliminate barriers to our companies that cost American jobs. For the first time, we will have a means -- accepted under WTO rules -- to combat such measures as forced technology transfers, local content requirements and other practices intended to drain jobs and know-how from the United States.

As a result, American companies will be able to export to China from home, rather than being forced to set up factories in China. Simply put, we'll be able to export our products without exporting our jobs.

And that isn't just true for one region or one sector of our economy. Barriers will be sharply reduced to American industrial goods, computers, and semiconductors; to a range of key agricultural products; and to services related to banking, law, accounting, consulting and the environment.

If Congress approves PNTR, we will reap these benefits. If not, our competitors in Europe and Asia will, leaving us to wonder in years to come why we let this opportunity elude our grasp.

The choice is ours. We can open the China market to the Motorolas and Agilents and Ford Motors of America. Or we can rob our workers of opportunity by abandoning that market to the Nokias and Toshibas and Toyotas of the world.

The United States is just six percent of the globe's population. We can't continue to prosper without selling to

the other 94 percent. The President's proposal would lock in and expand our access to a market of some 1.2 billion people -- one out of every five humans on earth.

Of course, any agreement is only as good as its enforcement. That is why we negotiated specific safeguards -- stronger and more targeted than any under current law -- should a situation arise in which a Chinese import is causing or threatening market disruptions here in the United States.

For 15 years after China joins the WTO, we have the right to use special methods to counteract dumping. And we're ramping up our hiring in preparation for the largest enforcement effort ever devoted to a trade agreement.

Economically, America gives nothing away in this deal -- or to quote the President, "nada, zip, zilch." China alone will cut its tariffs and lower its distribution barriers. All we agree to do is maintain the same open markets and policies toward Chinese products that have already expanded choices and lowered prices for U.S. consumers.

So on the economic merits, the choice for Congress is easy. This deal is a winner for American business, American workers and the American economy.

But the critics point to other concerns. They say that China tramples on labor and human rights and we mustn't approve it; that China proliferates weapons and we mustn't let it; and that China threatens Taiwan and its neighbors and we mustn't stand for it.

The Administration shares these concerns. So do congressional supporters of PNTR. And all of us have been working to encourage improvements in Chinese policies.

But withholding PNTR is no way to make progress. We know, for example, that Congress' annual review of China's trading status has proven to be a very unsuccessful instrument for leveraging change on human rights.

Still, some in Congress are reluctant to give up what they perceive as our only tool for improving the human rights situation in China. And certainly, our concerns are ongoing and unlikely to be resolved any time soon.

5

But history teaches that there are much better instruments available. One possible model is the Helsinki Commission, which was created by Congress in the mid-1970s to implement the Helsinki Final Act.

Through the Commission, Congress was able to monitor and report regularly on human rights practices behind the Iron Curtain. In so doing, it exposed the failure of Communist governments to meet their obligations, and provided a source of solidarity and support for democratic leaders such as Sakharov, Walesa and Havel.

pramitive

Congress might well consider creating a similar body now to review China's record of compliance with international norms in such areas as religious freedom, political expression and minority rights. Properly run, such a Commission would provide Congress with a more credible and possibly influential means for raising human rights concerns than holding our trade relations hostage.

Joining the WTO will not transform China overnight. But it will reinforce trends in China that will certainly lead to greater economic openness and possibly political liberalization, as well.

For example, by increasing the options open to Chinese workers, and reducing the influence of the state, it will create incentives for Chinese employers to upgrade their labor standards to attract the best talent.

It will accelerate the development of telecommunications technologies and the Internet in China.

It will increase contact with foreigners, including Americans, and with China's nearby trading partners who live under very different systems in Hong Kong and Taiwan.

And it will strengthen the rule of law.

In sum, China's entry into the WTO is not a human rights issue -- but it can only help the human rights and political situation in China. Conversely, while denying PNTR might feel good in the short run, the long-term results are likely to be harmful both for us and for those in China who want to live freer lives.

6

Meanwhile, our efforts to encourage China to live up to international standards will continue. We sanctioned China last year under the International Religious Freedom Act. We are again sponsoring a resolution at the Human Rights Commission in Geneva, expressing concern about China's human rights abuses. I recently flew thousands of miles -- from the President's side in India, to Geneva, and back again -- to press that case in person.

And we will continue to reject the use of force as a means to resolve the status of Taiwan. At every level, we are making absolutely clear that the issues between Beijing and Taipei must be resolved peacefully and with the assent of the people of Taiwan. There must be a shift from threat to dialogue across the Taiwan Strait.

Clearly, every American who cares about our economic interests should favor PNTR. And every American who cares about the state of political freedoms and worker rights in Chinese society should favor that nation's entry into the WTO.

U.S. policy towards China has been widely debated since before President Nixon's breakthrough visit in 1972. At that time, China seemed almost as distant and walled off to us as North Korea does now. But the years since have been characterized by a general trend towards broader official, economic, and people-to-people relations. ~~This trend has been interrupted, but not halted, by events such as the Tiananmen Square massacre, tensions in the Taiwan Strait; and NATO's mistaken bombing of the Chinese embassy in Belgrade.~~ *have put our relations to the test,*

Through all the ups and downs since, every President has worked for a China that contributes to the stability of Asia, that is open to the world, that upholds the rule of law at home and broad. *but our fundamental common interests in*

China's future direction will be determined by the Chinese. We can't control that, anymore than China can control America's destiny. But our policies and actions are among the factors that China's leaders will take into account when formulating their own policies. We can work to pull China in the right direction. Or we can turn our backs and almost certainly push it in the wrong direction. *peace, stability, and prosperity in the region and concluding.*

The WTO agreement will move China in the right direction. It will advance the goals America has worked for in China for the past three decades.

①

Economic ties between the PRC and Taiwan have expanded rapidly over the past decade with two-way trade of over \$25 billion and actual Taiwan investment in the PRC of over \$20 billion.

②

Recently Chen Shui-bian said he supported China's accession to the WTO and the normalization of U.S.-China trade relations.

7

*change the direction not only
of U.S.-China relations
but also of China's
development.*

Rejection of PNTR now -- after all the concessions the Chinese made in its negotiations with us -- would ~~markedly lower the temperature in what could become a new Cold War.~~ For China's leaders, this agreement required a more wrenching and fundamental debate than it did even for us -- a debate about the very nature of their society.

It makes no sense for us to set back our relationship with China, embolden its hard-liners, weaken its reformers, and enrich our competitors in Europe and Asia and around the world. Doing so won't make the Chinese more free; it won't help our workers or businesses; and it won't serve our foreign policy interest in a stable Asia Pacific region and a more secure world.

This helps explain why those closest to China want NPTR to pass. Our allies in Asia welcome China's entrance into the WTO because they want China to become more integrated into the world economic and political systems. ~~The people of Taiwan~~ ^{are} working hard to develop closer economic ties to the mainland -- and they, too, support Beijing's entry into the WTO. (1)
(2)

Martin Lee, the leader of Hong Kong's Democratic Party, wrote to President Clinton after the U.S.-China WTO Agreement was reached last year. And he said that this Agreement "represents the best long-term hope for China to become a member of good standing in the international community. We fear that should ratification fail, any hope for political and legal reform would also recede."

So if you want a more stable Asia Pacific and a China more integrated into the world community, you will support the proposal for PNTR.

Today, as we talk about trade and technology at the start of a new millennium, it is natural to focus on how much has changed, and how rapidly our world is being transformed. But it is also important to bear in mind that some things have not changed.

The productivity and genius of the American worker and entrepreneur.

The grand sweep of the Charles River and the historic beauty of the Boston skyline.

The passion for learning and compassion for humanity that drive Massachusetts' renowned universities and hospitals.

The faith that the Red Sox will one day win the World Series.

And the purpose of America.

[Remainder of ending to be added]

1ST STORY of Level 1 printed in FULL format.

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April 24, 2000

SECTION: CRITICISM; The Last Word; Pg. 56

LENGTH: 974 words

HEADLINE: A New China Deal

BYLINE: ROBERT B. REICH

BODY:

The upcoming fight over China trade will test not just the clout of organized labor but, more specifically, the price labor can extract from big business as a condition for accepting the deal. And it seems clear that unless the AFL-CIO goes along with the White House proposal to grant China full trading privileges on a permanent basis, the administration won't have the necessary votes. As of this writing, some two-thirds of House Democrats, mostly taking their cue from organized labor, are firmly against it. Together with Republicans who are taking a hard line against China's bellicose foreign policy, that's enough to sink the deal.

The industrial unions -- especially steel, autos, and textiles -- are irrevocably opposed. They're still smarting from the Clinton administration's North American Free Trade Agreement (NAFTA) and the expanded General Agreement on Tariffs and Trade (GATT) that led to the creation of the World Trade Organization, both of which they blame for the continuing erosion of manufacturing jobs. The rest of organized labor -- teachers, state and federal government workers, service workers -- don't much like the China trade deal but know their own jobs aren't on the line. AFL-CIO President John Sweeney, however, has pledged to fight it with all the organizing strength of the newly muscular AFL-CIO, partly to placate the industrial unions and partly because Sweeney is genuinely concerned about human and labor rights abuses in China. Demonstrations are scheduled in the home districts of key uncommitted lawmakers.

But Sweeney and the union presidents know that when labor has chosen to fight the Clinton administration over trade -- rather than set a price for cooperating -- it has come up empty handed. It could have demanded something in return for backing off on its opposition to NAFTA and then on GATT, but it chose to go to battle and lost both times. This has been the pattern even outside the strict confines of trade deals. Labor could have exacted a price from the administration for its early support of Al Gore for president, but it chose to endorse him for free (only to have the administration unveil its China trade agreement soon thereafter).

Labor should set a price for China trade while it still has the votes and while the other side is eager to move forward. Business is willing to pay something because it wants unfettered access to China's giant market and is afraid of what might happen if Gore is elected next November. Bill Clinton is eager to deal because he wants normal trade relations with China as a capstone

to the administration's otherwise incoherent China policy. Gore desperately wants to strike a deal as well because he wants the China trade issue to be resolved well before the nominating convention, so that labor can concentrate its energies on his presidential bid. Dick Gephardt, the House Democratic leader, would like a deal because he doesn't want an ugly Democratic split over China that might derail the Democrats' quest to control the House next election day and make him the next speaker.

What's the price? Labor should demand that there be two other items wrapped in the legislation regularizing China's trade status -- a ban on the permanent replacement of striking workers and a tripling of fines against employers who illegally fire workers for attempting to organize a union. Then a vote, up or down, on the whole package. In short, the price for opening the door to more trade with one-sixth of the world's population (the vast majority of whom would eagerly work for a fraction of the American wage) is more power for blue-collar workers in America and a redemption of the Wagner Act's promise that American workers can freely choose collective representation without having to fear for their jobs.

Any economist will tell you that free trade is good for Americans, overall. We get access to cheaper labor-intensive goods from abroad and bigger markets for our knowledge-intensive exports. But free trade also causes some Americans to lose their jobs or a portion of their incomes. And even though the benefits of trade are greater than these burdens, benefits and burdens aren't distributed equally. It's this distributional aspect of trade that's rarely talked about but causes most of the political problems.

Economists will also tell you that public policies are justifiable when those who benefit from them could fully compensate the losers and still come out ahead of where they were before -- which is why free trade is a no-brainer. But the political reality is that the winners from free trade don't compensate the losers. Yes, Congress typically enacts small job-retraining programs along with trade agreements so the losers can find new work. But the programs are too tiny to have any real effect.

The price that labor should be demanding for going along with the China trade deal makes sense in these terms. There's no guarantee against job loss, of course; American factory jobs will continue to be on the firing line of globalization as well as technological change. But strengthening the bargaining clout of labor by preventing employers from permanently replacing striking workers, and deterring employers from firing union organizers, can help spread the gains from trade. Stronger unions would give blue-collar workers the ability to summon higher wages and, when job loss was inevitable, more generous severance payments. Labor law reform would also give unions a fairer shot at organizing the new jobs of the globalized service economy.

Will labor set this price rather than go to battle over China trade? Would big business be willing to pay this price? All I know is there's a deal waiting to be done and a lot of powerful people with a strong stake in doing it. It's worth a try.

LANGUAGE: ENGLISH

LOAD-DATE: April 18, 2000

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The Economist

April 22, 2000 , U.S. Edition

SECTION: China

LENGTH: 868 words

HEADLINE: Too much thrift

DATELINE: BEIJING

HIGHLIGHT:

Domestic demand will have to pick up if China's modest economic recovery is to be sustained

BODY:

SHOPS in Beijing and other big Chinese cities say that what looked like a promising spurt in spending in January had fizzled out by the end of March. No one, certainly no young Chinese, is nostalgic for the minimal state-run comforts of the past, but, equally, there is concern about a future in which housing, education and health care are going to cost more. Many Chinese may also be worried about losing their jobs. The money that might have gone on spending has been saved instead.

The country's Communist rulers, who covet popularity as much as any capitalist politician, are anxious to see the economy come to life, and will take some comfort that it is showing signs of picking up at last. This week it was announced that GDP grew by 8.1% in the first quarter of 2000, year-on-year. Perhaps the Chinese are about to spend more. And perhaps the economy will continue to pick up. Perhaps.

For each of the past seven years, China's growth has slowed, and a further fall in growth is expected this year. True, the forecast of 7% for 2000 seems respectable by most standards. But in China one way to make the figures look good is to record as growth unwanted stocks of shoddy goods.

Yet China would have been better off had the goods never been produced. The stocks actually represent losses in the system, and their financial cost is largely being borne by state banks that have lent money they now cannot get back. One of the reasons that the rate of growth has slowed over the years is the banks' increasing unwillingness to lend, even to the deserving. So in a bid to get growth going again, the government has put moral pressure on the banks to lend to favoured projects, and it has spent heavily through the budget.

The government's spending binge helped industrial output to rise by 10.7% in the first quarter of 2000, compared with a year earlier. This must have given growth a boost, and perhaps helped put a cap on rising social tensions caused by layoffs. But government spending is being channelled to the state sector, which is the least efficient part of the economy.

True, the amount of contracted foreign investment jumped by 27% in the first three months. And exports are doing well. In the first three months of this year, they jumped by 39%, to \$52 billion. But China's is an economy driven mainly by domestic demand and investment, and exports, in the long run, play only a supporting role. Moreover, they are mostly produced by private companies.

What of the aids to the economy that come from attempts to restructure the state sector? The restructuring is key to any sustainable recovery. A lot of production capacity is surplus to requirements. Unless it is cut, the drag of oversupply remains.

Here, the picture is also mixed. Work by Jean-Fran ois Huchet, of the French Centre for Research on Contemporary China, shows that in those sectors where competition is greatest (for instance, in some consumer goods), there is least oversupply. The textile industry has shrunk greatly and is now on a firmer footing. But in the steel and cement industries overcapacity is still huge. Rather than shutting down inefficient plants, cities and provinces force profitable ones to take them over: the capacity remains. To make matters worse, local officials find ways to ignore orders from central government to close plants.

So industrial restructuring has not gone as far as might have been hoped. On the other hand, the financial position of both the banks and the state enterprises has seen a big change for the better, largely thanks to banks being able to take bad loans off their books. In the past year, "asset management companies" (AMCs) have been set up to take over the banks' bad loans. Thus, at a stroke, the balance sheets of the state banks have been cleaned up, allowing them to feel more comfortable to lend again -- this time, with luck, on a more commercial basis.

Some of the state-sector debt that the AMCs are taking over is being swapped for equity in the troubled companies. This way, state-owned enterprises now also have a lighter debt burden. It helps explain why state-company profits leapt by 40% in the last quarter of 1999. Certainly, the government will one day have to pick up the bill for the many rotten assets being taken over by the AMCs. What matters now is that the AMCs should reduce the corporate sector's debts, while allowing banks to start afresh with a cleaner slate.

This does not yet add up to China having turned the corner. The government's spending binge has wasted billions of dollars as money has gone to inefficient state ventures. It would have been better to have put the money directly into consumers' hands. That way consumers, not government, would have made spending decisions that would have benefited competitive companies and penalised the inefficient, so helping along the restructuring.

Without clear signs of new household spending and business investment, China's recovery will have to depend upon exports. What happens to these lies beyond the Chinese government's control. Exports have recently been driven by strong demand in Europe and America. It would be serious were such demand to falter.

GRAPHIC: graphic, no caption

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April 22, 2000 , U.S. Edition

LENGTH: 3255 words

HEADLINE: Doing well by doing good

HIGHLIGHT:

Anti-globalisation protesters see companies as unethical as well as exploitative. Firms demur, of course, but face an awkward question: Does virtue pay?

BODY:

TO MANY people the very concepts of "business" and "ethics" sit uneasily together. Business ethics, to them, is an oxymoron -- or, as an American journalist once put it, "a contradiction in terms, like jumbo shrimp." And yet, in America and other western countries, companies increasingly wonder what constitutes ethical corporate behaviour, and how to get their employees to observe it. Management schools teach courses on the subject to their students. Business ethics is suddenly all the rage.

Fashionable perhaps -- but also vague. Protesters in Washington, DC, were this week railing against corporate immorality as well as the IMF. But plenty of people retort that companies should not be in the business of ethics at all -- let alone worrying about social responsibility, morals or the environment. If society wants companies to put any of these ahead of the pursuit of shareholder value, then governments should regulate them accordingly. Thirty years ago Milton Friedman, doyen of market economics, summed up this view by arguing that "there is one and only one social responsibility of business -- to use its resources and engage in activities designed to increase its profits."

Even those who think companies do have wider responsibilities argue about the best way to pursue them. Ulrich Steger, who teaches environmental management at the International Institute for Management Development in Lausanne, says that companies cannot possibly hope to pursue a single abstract set of ethical principles and should not try. No universal set of ethical principles exists; most are too woolly to be helpful; and the decisions that companies face every day rarely present themselves as ethics versus economics in any case. He says that companies should aim instead for "responsible shareholder-value optimisation": their first priority should be shareholders' long-term interests, but, within that constraint, they should seek to meet whatever social or environmental goals the public expects of them.

Certainly companies, which increasingly try to include their ethical principles in corporate codes, stumble over how to write in something about the need for profitability. Or, to put the dilemma more crudely: when money and morality clash, what should a company do? Most firms try to resolve this with the consoling belief that such clashes are more imagined than real, and that virtue will pay in the end. Yet they cannot always be right.

Indeed, companies face more ethical quandaries than ever before. Technological change brings new debates, on issues ranging from genetically modified organisms to privacy on the Internet. Globalisation brings companies into contact with other countries that do business by different rules. Competitive pressures force firms to treat their staff in ways that depart from past practice. Add unprecedented scrutiny from outside, led by non-governmental organisations (NGOs), and it is not surprising that dealing with ethical issues has become part of every manager's job.

Don't lie, don't cheat, don't steal

In America, companies have a special incentive to pursue virtue: the desire to avoid legal penalties. The first attempts to build ethical principles into the corporate bureaucracy began in the defence industry in the mid-1980s, a time when the business was awash with kickbacks and \$500 screwdrivers. The first corporate-ethics office was created in 1985 by General Dynamics, which was being investigated by the government for pricing scams. Under pressure from the Defence Department, a group of 60 or so defence companies then launched an initiative to set up guidelines and compliance programmes. In 1991, federal sentencing rules extended the incentive to other industries: judges were empowered to reduce fines in cases involving companies that had rules in place to promote ethical behaviour, and to increase them for those that did not.

But the law is not the only motivator. Fear of embarrassment at the hands of NGOs and the media has given business ethics an even bigger push. Companies have learnt the hard way that they live in a CNN world, in which bad behaviour in one country can be seized on by local campaigners and beamed on the evening television news to customers back home. As non-governmental groups vie with each other for publicity and membership, big companies are especially vulnerable to hostile campaigns.

One victim was Shell, which in 1995 suffered two blows to its reputation: one from its attempted disposal of the Brent Spar oil rig in the North Sea, and the other over the company's failure to oppose the Nigerian government's execution of Ken Saro-Wiwa, a human-rights activist in a part of Nigeria where Shell had extensive operations. Since then, Shell has rewritten its business principles, created an elaborate mechanism to implement them, and worked harder to improve its relations with NGOs.

Remarkably, Shell's efforts had no clear legal or financial pressure behind them. Neither of the 1995 rows, says Robin Aram, the man in charge of Shell's policy development, did lasting damage to the company's share price or sales -- although the Brent Spar spat brought a brief dip in its market share in Germany, thanks to a consumer boycott. But, he adds, "we weren't confident that there would be no long-term impact, given the growing interest of the investment community in these softer issues." And he also concedes that there was "a sense of deep discomfort from our own people." People seem happier working for organisations they regard as ethical. In a booming jobs market, that can become a powerful incentive to do the right thing.

The quest for virtue

In America there is now a veritable ethics industry, complete with

consultancies, conferences, journals and "corporate conscience" awards. Accountancy firms such as PricewaterhouseCoopers offer to "audit" the ethical performance of companies. Corporate-ethics officers, who barely existed a decade ago, have become de rigueur, at least for big companies. The Ethics Officer Association, which began with a dozen members in 1992, has 650 today. As many as one in five big firms has a full-time office devoted to the subject. Some are mighty empires: at United Technologies, for example, Pat Gnazzo presides over an international network of 160 business-ethics officers who distribute a code of ethics, in 24 languages, to people who work for this defence and engineering giant all round the world.

For academic philosophers, once lonely and contemplative creatures, the business ethics boom has been a bonanza. They are employed by companies to run "ethics workshops" and are consulted on thorny moral questions. They also act as expert witnesses in civil lawsuits "where lawyers usually want to be able to tell the judge that their client's behaviour was reasonable. So you are usually working for the defendants. They want absolution," says Kirk Hanson, a professor at Stanford Business School.

Outside America, few companies have an ethics bureaucracy. To some extent, observes IMD's Mr Steger, this reflects the fact that the state and organised labour both still play a bigger part in corporate life. In Germany, for example, workers' councils often deal with issues such as sexual equality, race relations and workers' rights, all of which might be seen as ethical issues in America.

In developing a formal ethics policy, companies usually begin by trying to sum up their philosophy in a code. That alone can raise awkward questions. The chairman of a large British firm recalls how his company secretary (general counsel) decided to draft an ethics code with appropriately lofty standards. "You do realise", said the chairman, "that if we publish this, we will be expected to follow it. Otherwise our staff and customers may ask questions." Dismayed, the lawyer went off to produce something more closely attuned to reality.

Not surprisingly, codes are often too broad to capture the ethical issues that actually confront companies, which range from handling their own staff to big global questions of policy on the environment, bribery and human rights. Some companies use the Internet to try to add precision to general injunctions. Boeing, for instance, tries to guide staff through the whole gamut of moral quandaries, offering an online quiz (with answers) on how to deal with everything from staff who fiddle their expenses on business trips to suppliers who ask for kickbacks.

The best corporate codes, says Robert Solomon of the University of Texas, are those that describe the way everybody in the company already behaves and feels. The worst are those where senior executives mandate a list of principles -- especially if they then fail to "walk the talk" themselves. However, he says, "companies debate their values for many months, but they always turn out to have similar lists." There is usually something about integrity; something about respect for the individual; and something about honouring the customer.

The ethical issues that actually create most problems in companies often seem rather mundane to outsiders. Such as? "When an individual who is a wonderful producer and brings in multiple dollars doesn't adhere to the company's values,"

suggests Mr Gnazzo of United Technologies: in other words, when a company has to decide whether to sack an employee who is productive but naughty. "When an employee who you know is about to be let go is buying a new house, and you're honour-bound not to say anything," says Mr Solomon. "Or, what do you do when your boss lies to you? That's a big one."

Issues such as trust and human relations become harder to handle as companies intrude into the lives of their employees. A company with thousands of employees in South-East Asia has been firing employees who have AIDS, but giving them no explanation. It now wonders whether this is ethical. Several companies in America scan their employees' e-mail for unpleasant or disloyal material, or test them to see if they have been taking drugs. Is that right?

Even more complicated are issues driven by conflicts of interest. Edward Petry, head of the Ethics Officer Association, says the most recent issue taxing his members comes from the fad for Internet flotations. If a company is spinning off a booming e-commerce division, which employees should be allowed on to the lucrative "friends-and-family" list of share buyers?

Indeed, the revolution in communications technologies has created all sorts of new ethical dilemmas -- just as technological change in medicine spurred interest in medical ethics in the 1970s. Because it is mainly businesses that develop and spread new technologies, businesses also tend to face the first questions about how to use them. So companies stumble into such questions as data protection and customer privacy. They know more than ever before about their customers' tastes, but few have a clear view on what uses of that knowledge are unethical.

Foreigners are different

Some of the most publicised debates about corporate ethics have been driven by globalisation. When companies operate abroad, they run up against all sorts of new moral issues. And one big problem is that ethical standards differ among countries.

Reams of research, says Denis Collins in an article for the Journal of Business Ethics, have been devoted to comparing ethical sensitivities of people from different countries. As most of this work has been North American, it is perhaps not surprising that it concluded that American business people are more "ethically sensitive" than their counterparts from Greece, Hong Kong, Taiwan, New Zealand, Ukraine and Britain. They were more sensitive than Australians about lavish entertainment and conflicts of interest; than French and Germans over corporate social responsibility; than Chinese in matters of bribery and confidential information; and than Singaporeans on software piracy. Given such moral superiority, it is surprising that American companies seem to turn up in ethical scandals at least as often as those from other rich countries.

Many companies first confronted the moral dilemmas of globalisation when they had to decide whether to meet only local environmental standards, even if these were lower than ones back home. This debate came to public attention with the Bhopal disaster in 1984, when an explosion at a Union Carbide plant in India killed at least 8,000 people. Most large multinationals now have global minimum standards for health, safety and the environment.

These may, however, be hard to enforce. BP Amoco describes in a recent

environmental and social report a huge joint venture in inland China. "Concerns remain around the cultural and regulatory differences in risk assessment and open reporting of safety incidents," the report admits. "For instance, deference to older and more senior members of staff has occasionally inhibited open challenging of unsafe practices." BP Amoco thinks it better to stay in the venture and try to raise standards. But Shell claims to have withdrawn from one joint venture because it was dissatisfied with its partner's approach. Most companies rarely talk about these cases, creating the suspicion that such withdrawals are rare.

Bribery and corruption have also been thorny issues. American companies have been bound since 1977 by the Foreign Corrupt Practices Act. Now all OECD countries have agreed to a convention to end bribery. But many companies turn a blind eye when intermediaries make such payments. Only a few, such as Motorola, have accounting systems that try to spot kickbacks by noting differences between what the customer pays and what a vendor receives.

Some corruption is inevitable, say companies such as Shell, which work in some of the world's nastiest places. "If someone sticks a Kalashnikov through the window of your car and asks for 20 naira, we don't say that you shouldn't pay," says Mr Aram. "We say, it should be recorded." United Technologies' Mr Gnazzo takes a similar view: "We say, employees must report a gift so that everybody can see it's a gift to the company, and we can choose to refuse it. Every year we write to vendors, saying that we don't want gifts, we want good service."

Rights and wrongs

Human rights are a newer and trickier problem. Shell has written a primer on the subject, in consultation with Amnesty International. It agonises over such issues as what companies should do if they have a large investment in a country where human rights deteriorate; and whether companies should operate in countries that forbid outsiders to scrutinise their record on human rights (yes, but only if the company takes no advantage of such secrecy and is a "force for good").

The force-for-good argument also crops up when companies are accused of underpaying workers in poor countries, or of using suppliers who underpay. Such problems arise more often when there are lots of small suppliers. At Nike, a sporting-goods firm, Dusty Kidd, director of labour practices, has to deal with almost 600 supplier-factories around the world. The relationship is delicate: "They are independent businesses, but we take responsibility," says Mr Kidd. When, last year, Nike insisted on a rise in the minimum wage paid by its Indonesian suppliers, it claims to have absorbed much of the cost.

NGOs have berated firms such as Nike for failing to ensure that workers are paid a "living wage". But that can be hard, even in America. "I once asked a university president, do you pay a living wage on your campus?" recalls Mr Kidd. "He said that was different. But it isn't." In developing countries, the dilemma may be even greater: "In Vietnam, our workers are paid more than doctors. What's the social cost if a doctor leaves his practice and goes to work for us? That's starting to happen."

Stung by attacks on their behaviour in the past, companies such as Shell and

Nike have begun to see it as part of their corporate mission to raise standards not just within their company, but in the countries where they work. Mr Kidd, for instance, would like Nike's factories to be places where workers' health actually improves, through better education and care, and where the status of women is raised. Such ideals would have sounded familiar to some businessmen of the 19th century: Quaker companies such as Cadbury and Rowntree, for instance, were founded on the principle that a company should improve its workers' health and education. In today's more cynical and competitive world, though, corporate virtue no longer seems a goal in its own right.

When, in the late 1980s, companies devoted lots of effort to worrying about the environment, they told themselves that being clean and green was also a route to being profitable. In the same way, they now hope that virtue will bring financial, as well as spiritual, rewards. Environmental controls can, for instance, often be installed more cheaply than companies expect. Ed Freeman, who teaches ethics at the Darden Business School at the University of Virginia, recalls how the senior executive of a big chemical company announced that he wanted "zero pollution". His engineers were horrified. Three weeks later, they returned to admit that they could end pollution and save money. "The conflict between ethics and business may be a lot less than we think," he argues.

Most academic studies of the association between responsible corporate ethics and profitability suggest that the two will often go together. Researchers have managed to show that more ethically sensitive sales staff perform better (at least in America; the opposite appears to be the case in Taiwan); that share prices decline after reports of unethical conduct; and that companies which state an ethical commitment to stakeholders in their annual reports do better financially. But proving a causal link is well-nigh impossible.

What of the growing band of ethical investors? "I don't know of a single one of these funds which looks at the effectiveness of a company's internal ethics programme," says the EOA's Mr Petry, sadly. So a defence firm scores bad marks for being in a nasty industry, but no offsetting good marks for having an elaborate compliance programme.

And then there is the impact on employees. It may be true that they like working for ethically responsible companies. But, says Stanford's Mr Hanson, "I see a lot of my graduate students leaving jobs in not-for-profits to go and work for dot.coms." Few dot.coms would know a corporate ethics code if it fell on their heads. Small firms, in particular, pay far less attention than bigger rivals to normalising ethical issues and to worrying about their social responsibilities. Yet employment is growing in small companies and falling in big ones.

There may still be two good reasons for companies to worry about their ethical reputation. One is anticipation: bad behaviour, once it stirs up a public fuss, may provoke legislation that companies will find more irksome than self-restraint. The other, more crucial, is trust. A company that is not trusted by its employees, partners and customers will suffer. In an electronic world, where businesses are geographically far from their customers, a reputation for trust may become even more important. Ultimately, though, companies may have to accept that virtue is sometimes its own reward. One of the eternal truths of morality has been that the bad do not always do badly and the good do not always do well.

GRAPHIC: graphic, no caption

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