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The Economist

April 15, 2000 , U.S. Edition

LENGTH: 1168 words

HEADLINE: Taiwan takes another broadside from the mainland

DATELINE: BEIJING AND TAIPEI

HIGHLIGHT:

China has resumed its verbal assault on Taiwan, this time attacking the new vice-president. It is a mark of the mainland's growing insecurity

BODY:

HONG KONG'S last governor, Chris Patten, was always proud of the epithet, "the triple violator", that China pinned on him: the insult, after all, was deliciously obscure. Past condemnations of Taiwan's outgoing president, Lee Teng-hui, have been clearer. "A deformed test-tube baby cultivated in the political laboratory of hostile anti-China forces" is a measure of the collective genius of the propaganda department. And now the Communist word-factory has been turning out munitions against a new target: Taiwan's vice-president-to-be, Annette Lu Hsiu-lien. The gravity of her crime is not in doubt. This week the Chinese government declared that Miss Lu, having "exposed her true hideous face of an extremist and incurable Taiwan independence agitator" was "the number-one scum of the Chinese nation". She was pushing Taiwan towards war.

Whatever has this impish, rather grandmotherly figure been up to? The ostensible cause of China's wrath is what she tells inquiring journalists. First, that because of Taiwan's half-century of colonisation by Japan, the island's history is different from the mainland's. Second, that because of this, Taiwan and China are close neighbours but also distant relations. Taiwan, indeed, is already as good as independent and sovereign. Miss Lu makes no secret of her support for Taiwan's membership of the United Nations, even though, she tells The Economist, "it will take us a couple more years to get in".

Miss Lu herself dismisses China's verbal lobs as being little different from the "gimmicks" that Taiwan's long-ruling Nationalist Party (the Kuomintang) used against her two decades ago. It imprisoned her for over five years on trumped-up charges of sedition. Taiwan's new president, Chen Shui-bian, was a defence lawyer at the time. The Taiwanese stockmarket has also appeared to shrug off the attacks, being far more concerned with the ups and downs of its counterpart in the United States. Mr Chen has played down the row, counselling calm and patience, which he describes as a particularly "Chinese" virtue.

Western political analysts, on the other hand, are anxious. At first, China had to get over the shock of Mr Chen's victory at the polls on March 18th. His Democratic Progressive Party supports independence, even though Mr Chen has distanced himself from the cause. For a while, China appeared to have adopted a

wait-and-see attitude towards Mr Chen, at least until his "true intentions" towards the question of unification became clearer after his inauguration on May 20th. However, some now fear the grace period has been cut short. In addition, reports have been planted in the Hong Kong press of a military build-up opposite Taiwan. A senior Chinese official has warned the Hong Kong media not to report views that advocate independence for Taiwan.

Nor is the United States happy. It had long been cajoling the Taiwanese to restart discussions with China on cross-strait affairs, though in vain. The Clinton administration was therefore heartened by Mr Chen's conciliatory stance after his election victory. He has gone so far as to appoint a Nationalist, Taiwan's outgoing defence minister, Tang Fei, as his new prime minister in charge of running a coalition cabinet: the armed forces in Taiwan, as in China, are the strongest supporters of unification.

Mr Chen has also said that everything is on the table for discussion with China, including the "one-China" principle that the Chinese insist on. But all this, it seems, is not going to be enough for a blustering China. And that makes life complicated for the Americans. The administration is in the middle of trying to persuade Congress to vote in favour of granting China normal trading relations. It is also trying to persuade Congress not to pass the Taiwan Security Enhancement Bill, which would force America into much closer military relations with the island, to the possibly unquenchable fury of China. Out of fear for that likely tantrum, America finds itself trying to soothe China's current one.

Domestic consumption

Matters may not yet have come to the awful pass that some analysts assume. There is a need to take account of China's domestic audience in the light of anything the leadership says. In this case, China's armed forces are impatient to blacken Taiwan's eye. President Jiang Zemin and his allies know their entire economic programme would be thrown into doubt were force unleashed. To avoid physical violence, the armed forces have to be bought off, at least for a while, with some verbal violence. The Communist Party has for so long lectured the Chinese on its self-appointed role of guarding the nation's sovereignty that it lacks the self-confidence to let up on its Taiwan-bashing even for a few weeks.

At the same time, the government in Beijing faces growing uncertainty about where the modernisation of China is leading and what that means for the future of the Communist Party. This insecurity can be seen through an increase in the stridency of criticism at home, much of it aimed at what is often seen as the sort of western liberal values that renegade Taiwan already aspires to. Hence a recent revival of Marxist-style purges and campaigns, the stuff of a previous era. A handful of leading academics who called too boldly for political and economic reform were recently fired by the Chinese Academy of Social Science.

The verbal attacks on Taiwan, however, seem directed not against Mr Chen, but, pointedly, at his deputy. As such they may have hit the mark better than the Chinese leadership could have imagined. The day after Mr Chen's election victory, Taiwanese presidential aides were already admitting that Miss Lu, though an admirable fighter for Taiwan's interests and for human rights, was also something of a "loose cannon". Miss Lu is now having trouble denying reports that in private she has already grumbled about being kept out of the

loop by Mr Chen. In truth, the Taiwanese vice-presidency is a post with weak, ill-defined powers.

So, China's wait-and-see policy may still be in place in some form or another. But can Mr Chen be conciliatory enough for China's liking? China insists that the one-China principle should be the basis for talks. Once that is agreed on, it says, everything else is up for discussion. But by maintaining that everything is already up for discussion, Mr Chen does not accept the principle of one-China as a precondition for talks.

There could be room for a little ambiguity that gives face to both sides. China and Taiwan could agree, for instance, to hold different definitions of one-China. But this week a foreign-ministry spokesman in Beijing removed some of the room for such ambiguity. When asked to define what exactly one-China meant, he replied: "The People's Republic of China is the sole legal government of China." The mainland's new broadside will do little to convince Taiwan of the appeal of unification. The problem, as ever, remains in Beijing, not in Taiwan.

GRAPHIC: graphic, no caption

LANGUAGE: ENGLISH

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The Economist

April 08, 2000 , U.S. Edition

LENGTH: 1025 words

HEADLINE: Demystifying China

HIGHLIGHT:

China is neither an economic power, nor yet a military one. It is a country beset by woes that its leaders are ill equipped to deal with

BODY:

THE West cannot quite make up its mind about how it wants to deal with China. That French philosopher-king, Jacques Chirac, sends poems each month to China's president, Jiang Zemin, who responds with his own calligraphy. Yet defence planners in western capitals play their games on the assumption that the next big war may be between American-led forces and a rising China bent on trouble. In America, big business lobbies Congress to treat China as a normal trading nation, while Congress urges the administration to sell more weapons to Taiwan, as defence against Communist Chinese threats. Golden economic prize or rising international menace? Is China one or the other? Both or neither?

If China is not the golden economic prize it is made out to be, then the world at the very least risks wasting a fabulous amount of money. If it is not really the rising international menace that Senator Jesse Helms makes it out to be, then treating it as such could, at worst, help turn it into one. At best, the West would lose what influence it may have had in nudging China away from its many dissatisfactions and down more democratic paths.

Foreign interest in China's commercial promise typically follows a roller-coaster course that starts in hope and ends in despair. Hopes are rising again, with the prospect that China may be a member of the World Trade Organisation (WTO) by the end of this year. This has long been the stuff of salesmen's dreams: 2.6 billion armpits to deodorise. Added fervour comes from the Internet craze, with foreigners falling over themselves to invest in Chinese dot.coms -- no matter that government deems such investment illegal.

Time to clear up a misunderstanding. China has never been the prize that foreign businessmen have imagined -- foreigners earn an average return on equity of just 3.3% -- and will not be for a long time to come. Much of the place is still miserably poor: average income per person is less than \$1,000 a year. Indeed, China probably should not be buying many of the aircraft, power plants and capital goods, not to mention the fighters, bombers and submarines, that outsiders are selling it. Should the economy really take a tumble -- after an American economic plunge, say, or a bout of self-inflicted regional instability over Taiwan -- China would have trouble repaying loans. Meanwhile, WTO membership will not mean a surge of foreign imports.

Another misunderstanding, when the roller-coaster heads for despair, is about

voices and interests that make up the country multiply. The West would do well to engage them all.

GRAPHIC: graphic, no caption

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April 08, 2000 , U.S. Edition

LENGTH: 2073 words

HEADLINE: Private salvation?

HIGHLIGHT:

Socialist China has the world's brashest capitalist economy

BODY:

UNTIL not long ago, the most famous exports of Zhongshan district in Guangdong province were its people: the first settlers of San Francisco in the mid-19th century, coolies to Hawaiian and Cuban sugar plantations and, more recently, those who fled Mao-made famine and political upheaval to make their fortunes in Hong Kong. The flat land of the Pearl River Delta, abundantly fertile all year round, is among the world's most intensely farmed. Yet even during benign times, the land produced more people than it could feed.

Now, many of the paddy fields in Zhongshan and surrounding districts have been turned into factories where poor migrants from inland provinces flock to work. Most of them are young women, modern indentured workers who sell their labour to factory owners on terms that do the girls few favours: six months' salary withheld, and forfeited if they leave before the year is out. For them, it is worth it. When they return to their villages after a few years, they have money, some experience of the outside world, and a better chance to choose a good husband. As for the factory owners, who come from coarse, Cantonese peasant stock, they are rich beyond their ancestors' wildest dreams.

Some 2,000 kilometres (1,250 miles) to the north, central-government officials will inform you in purest Mandarin that the private sector is from now on to be "an important part of the socialist market economy, consistent with Marxist-Leninist-Mao-Zedong Thought". They would not know a double-entry ledger if it stared them in the face. Meanwhile, in the Zhongshan village of Guizhen, Mr Wu, the local party secretary, apologises for his poor command of Mandarin, the official language. It is clear that his career depends not on fawning over his party seniors, but on providing whatever municipal help is required to the raw capitalists who have turned Guizhen village into a boom town. If the state sector ever had a presence here, it has now vanished. Zhongshan and the neighbouring districts of Panyu and Shunde are dominated by private enterprise. Even the few remaining "collectives" and "township and village enterprises", Mao-era creations that somehow survived in the reform era, are throwing off their disguises and admitting to being privately run.

In Guangdong, people do not hide their light under a bushel. "Guizhen: Lighting Capital of China", proclaims the sign beside the highway into the village (more of a town), which two decades ago was an unpaved track. Factory after factory, every one of them advertising light fittings, lines the road. In town, hundreds of shopfronts display their variations on a theme: street lights,

chandeliers, bedside lights, halogen lights, lights of any sort, from the modern to the eternally tasteless. Guizhen has 60,000 registered inhabitants, says the party secretary, Mr Wu, frantically talking on his cellphone, and though there are officially 1,000 lighting factories, "there are also 600 or so underground ones...they all count."

One resident in every 40 men, women and children, then, is a factory owner, and that does not take into account the wholesalers and shop owners. On top of that there are some 40,000 migrant workers. It is an intensely competitive industry. The Guizhen factories on average change their designs every fortnight. The specialist designers of light fittings have to come up with three new ideas a day. In return, they are paid 600,000 yuan (\$72,000) a year, many times the salary of China's prime minister.

Since the first factory opened in 1986, little-known Guizhen has captured 46% of China's total domestic lighting market. One in every two light fittings you see in China has been trucked out past that bragging highway sign.

The petty capitalist road

Historians will point out that Guizhen and similar places have picked up the thread -- brutally severed by Mao -- of a kin-based petty capitalism in China that goes back hundreds of years. In Beijing, old street names still recall the cluster of like businesses for which each alley was famous: Silk-Brocade Hat Alley, Dry-Noodle Street, and so forth. In southern Guangdong, the model is amplified by an earthy appreciation of money (but not always its conspicuous consumption) not matched in the north, and by a fierce sense that someone else's gain is your loss. As a Zhongshan official puts it: "Once one person in the village starts to earn money, then everyone piles in. And don't expect brothers to co-operate. They'll compete. Even fathers will with sons."

Such natural clustering has also been helpful in dealing with the legacy of socialist planning. "In the planned period," says another Zhongshan official, "production and sales were all regulated. It became much more complex after reform...People didn't know what the demand was, nor where it was coming from. So gathering together was a good way for small enterprises of adjusting costs and production to demand. Also, customers at least knew where to go to find the market." Intense specialisation chased out less competitive manufacturers of other goods from the local market. Guizhen used to have plants making clothes and shoes, but these have shut down. Other townships specialise in such things now -- for instance, nearby Nanhai in textiles, and Panyu in sneakers. "But the point is," says the official, taking from his pocket a disposable cigarette lighter, no doubt made somewhere nearby, "with just one small product you can reach a big market."

The question the astounded visitor asks himself is this: now that the government has blessed the private economy, will what is happening in Zhongshan become a model for the rest of China? There is ever less reason why not, though some places will always have a better temperament for business than others. Aside from Guangdong province, the city of Wenzhou, south of Shanghai, shielded from the socialist hinterland by a ring of mountains, is famous for its hustling private entrepreneurs. Early on in the reform period, Wenzhou established itself as the world's undisputed capital for...buttons. It now also produces more sophisticated things, such as electronics, but as with Guizhen, production

always springs up in local, highly competitive clusters.

Other regions are already copying this "coastal model", and many will succeed. Labour comes cheap in China, and as for capital, it doesn't take much. The "Wenzhou model" could, with luck, spread throughout China, providing an engine for local economies. Too much emphasis is usually laid -- by Chinese policymakers as well as by foreign businessmen and media -- on China's strength as an export machine. China is so big that its economic potential might more usefully be compared with continental America's (driven by domestic demand) rather than Japan's (driven by exports).

So just how well has the private sector done since its first, tentative and often disguised reappearance? Splendidly, by all accounts; but measuring its size is tricky. In the absence of hard data, estimates have depended largely on analysts' views about China's prospects at any particular moment. At the height of the euphoria about China in the early 1990s, some observers -- including *The Economist* -- thought the private sector might already account for as much as 75% of the economy. That was far too optimistic, and the mood may have swung too violently in the opposite direction: some people now put the private sector at only 25% of total output. More considered work by the China Economic Quarterly (CEQ), an independent publication, puts the private sector somewhere between those two extremes, at a little over half of the economy. If true, that would still be a considerable accomplishment for a form of ownership that two decades ago did not exist.

Farming has been privatised almost completely (except for land ownership, though land is let out by the state on ever longer leases). Although agriculture is no longer the dominant part of national output, about half of China's 700m workers are engaged in farm-related activities. That helps to explain why fully three-quarters of China's workers are in private employment.

The contribution of the private sector to industry and construction is harder to calculate, in part because many businesses classified as collectives in the official data are really private firms in disguise. CEQ guesses that the private sector contributes about 50% of industrial production. A large chunk of the private output comes from investment by overseas Chinese businessmen and multinationals.

At first blush, the service sector appears to be predominantly private. Urban China is now crammed with boutiques, private restaurants and all-night hairdressers. Beijing and other big cities have whole districts given over to private computer-hardware and software businesses. One statistical problem is that a lot of this private activity takes place in the black market and therefore goes unmeasured. More seriously, despite this bustling and highly visible aspect of private enterprise, large swathes of the service sector are off-limits to private firms. The state has a near-monopoly in telecoms, banking and distribution. According to CEQ, private firms have only 37% of the service economy.

The private sector's future potential is even harder to guess. Certainly, the continued strength of the state sector is a huge constraint. Until recently, most economists and policymakers had hoped that it would sink under its own losses, and that the private sector would simply take its place. One day China would wake up to find the state sector gone, entirely replaced by vibrant

private enterprise.

This is clearly not going to happen. True, the state sector has shrunk dramatically, and continues to do so, to judge by the number of urban workers it is laying off. Yet state enterprises still command a disproportionate share of lending by the big four state banks (around three-quarters of the total), making it hard for private firms to get a look-in.

Moreover, the state still monopolises swathes of the economy. And where private firms are not kept out by the state, competition is dulled by local protectionism. For instance, last year the city of Wuhan, which produces cars in a venture with France's Citroen, slapped duties of nearly 100% on Shanghai-produced Volkswagens. Shanghai had started the war by taxing cars not made locally. Local protectionism finds another outlet in local courts, which are unwilling to rule against local companies in commercial cases, or to enforce judgments where wrongdoing has been too blatant to ignore.

The inadequacies of the law in general, as well as all the other institutions that referee a market economy, are less immediately obvious, but they impose perhaps the biggest constraints on private-sector growth in China. The law and other commercial rules, or at least their very partial enforcement, clearly favour the state. And the current bankruptcy law is weakly written and poorly enforced, putting creditors at a disadvantage.

But just assume for a moment that the entrepreneurial sector operates in a private paradise, with no state sector to get in its way. How adequately does the present legal system protect property rights, support contracts and ensure the quality of corporate governance that protects owners from being ripped off by their managers (as the state is currently being ripped off by its managers)? It is a fair bet that, whereas small, family-run private enterprises can proliferate in China, their growth into more complex organisations will be held back by the disastrous legal inheritance of socialism.

In Guizhen, the party secretary, in his atrocious Mandarin, confirms that the problem with the local lighting companies is their technical and managerial backwardness. If Guizhen is to win world markets, the firms will have to find economies of scale through mergers and better management. Yet how many of Guizhen's factory owners trust others sufficiently to pool resources with them? Primers for westerners doing business in China invariably emphasise the importance of guanxi (relationships). Yet guanxi merely implies that in the absence of law and defensible property rights (see), people do business with those they know and trust. Personal relationships matter in a low-trust society, and you can't get much more low-trust than a place where fathers doubt their sons.

GRAPHIC: graphic, no caption

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April 08, 2000 , U.S. Edition

LENGTH: 1389 words

HEADLINE: The honeycomb of corruption

HIGHLIGHT:

A little reform in the state sector has proved a dangerous thing

BODY:

"AT LEAST under Mao there was no corruption," sighed this correspondent's Beijing neighbour as he griped about the local police. Not because man lived in prelapsarian bliss, but because Mao's egalitarian state enforced poverty on all, so there was little wealth to steal. Even if someone managed to get hold of public assets, he would find it well-nigh impossible to turn them into cash. During the Cultural Revolution, it was often for possession of things like cigarettes and liquor that Red Guards persecuted "corrupt" high party officials.

Today, a puritanical drive against official corruption recalls those earlier days. Central leaders rail against the cancer of corruption and promise to excise it. Their indignation is echoed in the official media. An audit of embezzlement in the first half of 1999 which the central government published last August showed that some 20 billion yuan (\$2.4 billion) had been diverted from the state into personal bank accounts. Another 1 billion yuan had been bilked from the pension funds of the state railways, post and telecommunications. About 6 billion yuan of pension funds from the state coal bureau had been misused. And so it goes on. Moreover, this is merely what the central government says it knows about, which is less than it should. The party's official mouthpiece, the People's Daily, says that 120 billion yuan of state funds were misused (on a wider definition) in the first half of last year -- equivalent to one-fifth of the central government's tax revenues.

Leaders promise to crack down on corrupt officials, but they face an impossible task. Very occasionally, a high official is executed to set an example. Coinciding with the annual meeting of the National People's Congress in early March, a former deputy governor of Jiangxi province, Hu Changqing, was tried for taking \$650,000 in bribes, and shot for his crimes. He was the most senior official to be executed in half a century of Communist rule.

"No matter what unit or person is involved in the case, we must investigate to the end. Our hand will not falter," said China's top judge at the time. Fine words, but are they true? The central leadership often publicises the misdeeds of low-ranking officials, who are described as "morally corrupt", as though they were suffering from a personality disorder, when the real problem is systemic rot. Yet corruption in high places is more difficult to tackle: if too much attention is drawn to it, the political system itself might be called into question.

The help-yourself economy

Take the giant smuggling racket in the coastal province of Fujian discovered last year, involving hundreds of government officials and goods worth perhaps \$15 billion. Mr Zhu, the prime minister, is rumoured to have offered President Jiang Zemin his resignation last summer, furious that the case was not being pursued with sufficient zeal. News of the racket began to be aired in the foreign media. High officials in Beijing with Fujian connections were implicated. Yet when unsanctioned reports of the racket began to appear on the websites of some of the more adventurous mainland newspapers early this year, they were quickly slapped down.

The racket has the makings of China's biggest-ever corruption case. Some 400 investigators were dispatched to find out what was going on. Since then, silence. No doubt scores of local officials will be tried, and perhaps some of them executed. But because some high officials also had their snouts in the trough, this case needs to be handled with extreme delicacy. Business China, a sister publication of The Economist, forecasts that the party will eventually trundle out an official explanation, but in a way "least harmful to its interests".

Deng Xiaoping once said it is inevitable that when you open the window, the flies come in. X.L. Ding, an economist writing in the excellent China Journal, published in Australia, prefers to take his analogies from bees. In pre-reform urban China, he says, the economy resembled a giant honeycomb of small, bounded cells of inward-looking activity. This structure had three main features. The first was state ownership, which kept things simple. The second was the supervision of state firms by the local government of wherever they were operating. In effect, local governments served as the guardians of national property. The third was that, in a command economy, there were few transactions between firms, and those few took the form of material allocations, rather than monetary exchange.

All this changed with reforms that have brought great complexity to the state sector's relations, both internal and with the outside world. Once the boundaries between formerly separate cells of economic activity get blurred, the government's chain of control over its vast stock of national assets becomes paralysed. The result, says Mr Ding, is that "managers of Chinese state firms essentially have ended up capturing a sizeable portion of the widely scattered public property."

That makes it hard to argue that 20 years of Chinese market-oriented "reforms" to the state sector have really succeeded. They started in the 1980s with the introduction of the "contract-responsibility" system that allowed enterprises to sell their goods for profit in the open market once they had fulfilled their quota under the plan. It was the cue for quantities of state goods to leave the factory by the back door, with the proceeds kept by the managers. For much of the 1990s, modern "scientific" management was praised, and managers were given more autonomy to generate profits. They were not, however, penalised for racking up losses, which remained the state's responsibility. Unscrupulous managers have been able to milk their companies' assets through shell companies and subsidiaries.

New milking opportunities presented themselves with the Communist Party's endorsement in 1997 of a "shareholding system" that would allow small and

medium-sized state firms to be turned into companies with mixed public and (sometimes majority) private ownership. Small state firms were soon being privatised at a frantic pace. Managers would often bully workers into buying shares, forming nominal "collectives" to disguise what was going on. When the central government tried to slow down the process, outside observers said China's leaders were backtracking on reform. More likely they realised, horror-struck, how easily state assets were being pilfered.

Reforms have not been as disastrous as in Russia, where the theft of state assets is an honoured pursuit; on the other hand, Russia launched a full-blown programme of privatisation, which China is wary of copying. So Chinese officials and managers have had to use more imaginative alchemy to turn state assets into private property. But whatever the method, says Mr Ding, what has been done to transform national assets into private wealth in China is little different from what Ferdinand Marcos did in the Philippines, or what ex-President Suharto's cronies did in Indonesia. That should be a warning to China's Communist rulers.

To be fair, it is not just because of corruption that China's shrinking state sector, now making up less than half of the economy and falling, contributes a disproportionately large and rising share of the country's problems. Even where there is no overt corruption, state ownership involves a wasteful allocation of resources. The reforms have left the state industrial sector with a mess of renegade government agencies and unco-ordinated, or unenforced, regulations. Edward Steinfeld, of the Massachusetts Institute of Technology, describes it as "something of a Dodge City atmosphere. There are few rules, few responsibilities, strong preying on the weak, and a tremendous amount of waste."

It would be nice to wave that magic wand, privatise everything overnight, and decree a market economy into existence. But would the change of ownership help? Or might it make matters worse in an economy with few rules? As Mr Steinfeld argues, there is little point in worrying too much about who owns an economic unit before the institution of ownership itself has been firmly established.

Reference:

* "Forging Reform in China: the Fate of State-owned Industry". Cambridge University Press, 1998.

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SECTION: Foreign banks in China

LENGTH: 751 words

HEADLINE: New hurdles

DATELINE: beijing

BODY:

WHENEVER foreign businessmen in the Middle Kingdom get dreamy-eyed about business prospects after China joins the WTO, the government can be relied on to do something to wake them up with a jolt. The new regulations with which China's central bank is threatening to hit the 160-odd branches of foreign banks are just the latest example. If implemented, they will make local lending prohibitively expensive.

Foreign banks have long been confined in China, both geographically and in the businesses they may conduct. At first, they were allowed to lend only in foreign currencies. That limited foreign banks' lending to companies that earned hard dollars: a few big state-owned companies and, more usually, foreign companies and joint ventures. Only recently have two dozen foreign banks been allowed to lend in the local currency, the yuan, in Shanghai and Shenzhen. Many banks would like to do more of this, largely because it cuts out exchange-rate risk. And in the long run it means more clients.

But where to get the yuan to lend? Foreign banks are banned from accepting retail deposits, and their ability to take commercial deposits is highly circumscribed. Because of such restrictions, foreign banks have made local-currency loans of less than 1 billion yuan (\$120m) -- well under 1% of the total. Since late last year, however, foreign banks have been allowed to borrow from local Chinese banks, on what is grandly described as an interbank market. For all the interbank market's inadequacies, that tiny share might be expected to grow.

Or so foreign bankers had thought. But last month the People's Bank of China -- prodded, presumably, by the four state commercial banks that dominate China's financial system -- frustrated even this modest foreign challenge. The central bank has told some foreign banks that they are not allowed to make local-currency loans worth more than eight times their branch capital. Others have been given a limit of just four times their capital. These branches have very little capital to begin with, in most cases a mere 30m yuan in operating funds. It is banks' head offices overseas that put up the capital to back loans made in China. "I am able to make loans of just 120m yuan," fumes one foreign banker. "What use to me is that?"

These new (so far, unpublished) regulations seem to reverse the progress made

last October when foreign banks were allowed to raise the proportion of their local-currency loans from 30% to 50% of their hard-currency lending. Many worry that China now intends to stiff foreigners in the areas that it must open up if and when it joins the WTO. The trade deal that China signed with the Americans last November, paving the way for WTO membership, dictates that the geographical limits on where foreign banks may do business will be scrapped two years after accession. At that time, too, foreign banks will be able to take deposits from and lend to mainland companies. Five years after WTO accession they will be able to do the same with individuals.

Yet these are not the big break for foreigners that many claim. Banks will be able to do serious business in China only if interest rates are deregulated and a proper inter-bank market develops. Until then, regulated rates will provide a direct subsidy, in the form of cheap deposits, to the big state banks. The WTO has nothing to say about this. Nor does it offer protection to foreigners against the latest local-currency regulations, as long as the central bank can argue it is applying the same rules across the board. China got away with such behaviour in the past because people drooled over its commercial prospects. Now, many have been disabused of this. "It is not as if this place is El Dorado," snorts one foreign banker.

Still, foreign governments seem unwilling to kick up a fuss about the latest strictures. The Clinton administration's application to Congress to grant China normal trading relations is at a delicate stage. The European Union has still to strike a WTO deal with China: the latest round of talks was broken off abruptly on March 31st. Without an agreement, European trade negotiators appear to be nervous about raising anything that might rile the Chinese. Perhaps that is why European negotiators thought that the letter written by the foreign bankers' association to Dai Xianglong, the central-bank governor, was too strongly worded. Rather the reverse, in fact: throughout, the central bank was referred to as "your good bank".

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LENGTH: 689 words

HEADLINE: The return of the "four olds"

BODY:

WANG WANJUN, with his closely cropped hair, his blue peasant's jacket and his quiet dignity, is a rural migrant, even though he has got no further than his provincial capital. Nine years ago he left his village in south-western Guizhou province, a beautiful but desperately poor place, for the city of Guiyang. The capital remains a backwater where rural folk sell baskets of coal at the door. Mr Wang and his wife opened a stall at the Red Side vegetable market, and found a single room to live in. They led a tolerable, if not a comfortable life.

Two years ago, Mr Wang was caught sprinkling water over his vegetables outside the market to make them look fresher, in violation of municipal rules, and was duly fined. So off he went to the police station to pay up, leaving his five-year-old son playing in the street. That was the last he saw of him.

Others, though, saw the boy being carried away by a stranger, almost certainly a member of a kidnapping gang. The son is probably in coastal Fujian province or Guangdong now, bought by a rich couple desperate for a boy but unable to have one. Mr Wang, sitting on the bed fingering a photograph of his son, due to turn seven the following day, has searched high and low for him. He pleaded with the Guiyang police for help, but they said they had no money. He even made the long journey to Beijing to lay his plea before the central authorities. They sent a generous 300,000 yuan to the Guangdong police and instructed them to search for missing children. Thanks to their efforts, some 40-odd children were found, for whom 1,000 bereft parents came forward; but Mr Wang's boy is still missing. "My wife would not get out of bed for two weeks when he disappeared, and would not eat. But I told her he's smart, and he's old enough to remember us. I know we'll find him."

Mr Wang's family is a victim of China's new capitalism, which comes with a pretty raw face. Along with child kidnapping, many "old" Chinese practices have made a comeback in recent years. Young brides are sold to old farmers by their families, or are kidnapped in the same way as children. Prostitution is on the increase. The number of heroin addicts is rising sharply, particularly in south-western China, near the Golden Triangle. Concubinage has returned, and so have disputes, sometimes violent, between village clans.

Even piracy is back. In January, 13 members of a gang of mainland pirates convicted of the murder of 23 crew members of a Hong Kong-registered bulk carrier were executed in southern Guangdong province. They did not put on the show of contrition the Communist authorities expected of them. On the truck taking them to the execution ground, drunk on rice wine, they sang the "ole, ole, ole" of Ricky Martin's World Cup theme song, and mockingly thanked the

Communist Party for giving them a "fair chance".

To the many Chinese brought up to believe in the Communist creed that put service to the people above all else, the past 20 years of reform are cause for soul-searching. Half a century ago, Mao Zedong had set out to mould a new Chinese identity against a backdrop of economic backwardness, foreign exploitation and civil strife. The new identity was to be free of the "four olds" -- habits, ideas, customs and beliefs -- which were thought to lie at the heart of China's debilitation, and which Mao's Red Guards had sought to destroy. The national interest was meant to replace narrow, selfish concerns.

Now the four olds have made a comeback. Even religion and superstition have returned, with fundamentalist underground churches and a proliferation of cults. Look how the Falun Gong sect refuses to be cowed by attempts to stamp out its particular mix of qigong (breathing exercises) and millenarianism. And note that across the way from Mao's birthplace in Shaoshan, in a restaurant that thrives on serving his favourite dishes, there is now a shrine to the Great Helmsman. Fake flowers are strung around his neck, and incense and offerings of fruit lie at his feet. The staunch atheist and revolutionary has been reduced to just another god in the Chinese pantheon.

GRAPHIC: margin_graphic, no caption

LANGUAGE: ENGLISH

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The Economist

April 01, 2000 , U.S. Edition

SECTION: Taiwan

LENGTH: 1135 words

HEADLINE: Where Taiwan and China meet

DATELINE: XIAMEN AND JINMEN

HIGHLIGHT:

New links with the mainland will help economic integration, even though the political gulf remains enormous

BODY:

THERE is a nostalgic charm about one of the world's last cold-war boundaries, that between Communist China and the handful of tiny islands just off the coast which have been controlled by Taiwan since Nationalist troops fled the mainland in 1949. The two sides used to shell each other desultorily -- and, thoughtfully, on alternate days. Today there are fewer Taiwanese soldiers on the island of Jinmen (otherwise known as Quemoy) and they let you peer out of their bunkers at the coast of the mainland only some 2.3km (about a mile and a half) away. There, on a pleasant strand outside the mainland city of Xiamen, with its Henry Moore-style sculptures and tandems for hire, mainlanders peer back: a young man rents out a giant pair of binoculars for 5 yuan (60 cents) a go. Competing slogans can be seen from afar: Sun Yat-sen's "three principles of the people" on the Taiwanese beach, Deng Xiaoping's "one country, two systems" on the mainland one.

This correspondent's taxi driver on Jinmen had only once left the island. He took a flight to Taipei, Taiwan's capital, changed aircraft there for a flight to Hong Kong, and then changed again for a 600km flight north to Xiamen. He made his way to the strand to see what his home island looked like from the other side, and then made his complicated way back. Such a journey will soon be unnecessary. Shortly after Chen Shui-bian won Taiwan's presidential election on March 18th, the Taiwanese legislature voted to establish the "three links" for the offshore islands. These will allow direct commerce, direct communications and direct transport between Fujian province and the Taiwanese islands of Jinmen, Matsu and the Pescadores.

It is a gesture of goodwill to the mainland authorities by Mr Chen, a member of the pro-independence Democratic Progressive Party. Mr Chen's victory ended five decades of rule by the Nationalists, who, though they were hated by China's Communists, at least argued that Taiwan was a part of China. Before Taiwan's election, officials in Beijing told the voters to reject Mr Chen. The mainland has long warned the Taiwanese that, should they make any move towards independence, it would invade; it recently also threatened to invade if Taiwan continued to drag its feet on joining reunification talks. Since Mr Chen's

election, officials in Beijing have said they will watch the new president's words and deeds. In themselves, the links to the tiny islands are only small, but they are symbolic. Mr Chen has suggested that such links could be extended to the rest of Taiwan by the end of the year.

In Jinmen, the three links will merely formalise growing cross-border relations. An energetic smuggling trade exists, ferrying anything from people and cattle to garlic and drugs across from the mainland. Many islanders have mainland relations, and lovers separated by the short stretch of water use mobile phones to avoid long-distance charges. Jinmen's fisherman no longer put out their nets: they buy cheap fish direct from mainland boats.

Taiwan's outgoing president, Lee Teng-hui, opposed establishing the three links. He wanted Taiwan to keep its distance from a mainland that claimed Taiwan as a renegade province. This idea has outlived its usefulness. Nowadays Taiwan is intimately bound to the Chinese economy. The government forbids Taiwanese from investing in supposedly "strategic" (ie, high-tech) industries on the mainland, or in projects worth more than \$50m. Yet the bans are almost impossible to enforce. Taiwan is the second-biggest outside investor in China, behind only Hong Kong (which also acts as the conduit for Taiwanese money). Taiwanese businesses have over \$20 billion, two-fifths of all Taiwan's investment overseas, invested on the mainland. The money has gone into more than 40,000 projects. The biggest concentration is in Fujian province, where many Taiwanese have their ancestral roots. Blood remains thicker than water.

Mr Lee may fear the leverage that Taiwan's economic dependence supposedly gives China, but the cross-strait ties benefit Taiwan greatly. As rising prosperity in Taiwan has brought higher labour costs, the Taiwanese have been able to shift a large part of their less-sophisticated manufacturing -- involving products such as toys, sneakers and even computers -- to the mainland. At the same time, China is hungry for the high-tech machinery that Taiwan excels at making.

Though it imported almost no Taiwanese goods 20 years ago, the mainland is now Taiwan's third-largest export market. China is used to running surpluses with much of the world, but with Taiwan it runs a hefty deficit of \$15 billion. Part of the reason is that a large quantity of supplies and components are shipped to Taiwanese firms on the mainland for further processing, while many Chinese exports remain banned in Taiwan. Nevertheless, the economic integration between the two is vast and growing.

Many companies on both sides of the Taiwan Strait have prepared for years for the three links. For instance, China's giant state shipping company, COSCO, has long had good relations with Yangming, a Taiwanese shipping company with Nationalist roots. COSCO recently established joint-ventures with Evergreen, another Taiwanese shipping giant, sharing South American and Australian routes. The principal victims of the three links, especially when applied to all of Taiwan, will be Hong Kong's Cathay Pacific and Taiwan's China Airlines, the two main carriers that shuttle Taiwanese to and from Hong Kong on their roundabout route to the coastal provinces opposite Taiwan. Hong Kong's huge container port will also lose some cargo, but well under 10% of its total.

Unfettered trade remains some way off, not least because of Taiwan's restrictions on Chinese trade and investment in Taiwan. Apart from the ban on

many mainland products, companies that are more than 20% mainland-owned may not operate in Taiwan. Still, Taiwan is committed to joining the World Trade Organisation, and may do so at the same time as, or soon after, China joins. That could be later this year. As a WTO member, it will be hard for Taiwan to maintain discriminatory measures against Chinese trade and investment.

Some Taiwanese see only roses in the deepening economic relations between China and Taiwan that may follow WTO membership. After all, China, which considers Taiwan to be a mere province, is unlikely to want to bring trade disputes with Taiwan to international arbitration. For its part, Taiwan will want quietly to drop measures that have proven ineffective in preventing the rapid integration of the two countries' economies. That will leave the question: can economic integration render less dangerous the political gulf that appears to be widening across the Taiwan Strait?

GRAPHIC: graphic, no caption

LANGUAGE: ENGLISH

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Los Angeles Times

April 12, 2000, Wednesday, Home Edition

SECTION: Part A; Part 1; Page 4; Foreign Desk

LENGTH: 1058 words

HEADLINE: U.S., CHINA QUIETLY REKINDLE KEY DISCUSSIONS;
DIPLOMACY: DESPITE BEIJING'S TOUGH TALK, ANALYSTS SEE A THAW IN THE DEEP FREEZE
THAT SETTLED OVER RELATIONS AFTER LAST YEAR'S EMBASSY BOMBING.

BYLINE: HENRY CHU, TIMES STAFF WRITER

DATELINE: BEIJING

BODY:

Although China's Communist regime continues to trot out its hard-line rhetoric over the NATO bombing of the Chinese Embassy in Yugoslavia last spring, Washington and Beijing have quietly resumed talks in some of the most sensitive areas of their troubled relationship.

In particular, dialogue has restarted in the key areas suspended by China after the attack May 8: human rights, control of nuclear weapons and military affairs.

With Sino-U.S. ties at their lowest point in a decade, much of the dialogue is conducted at low levels or through back channels, as in the case of human rights. But experts welcome the end to the deep freeze that had blanketed relations for months.

"It's been a slow thaw," said one analyst based here in the Chinese capital.

Of course, the transpacific relationship remains touchy and beset with serious and potentially explosive problems, such as the tension over Taiwan, which Beijing considers sovereign territory. And officially, the Chinese government still calls the U.S. explanation of the bombing in Belgrade, the Yugoslav capital, inadequate.

In fact, Beijing repeated that complaint after the CIA announced over the weekend that it had disciplined several officers involved in the attack, which the U.S. says was accidental. China continues to demand a full accounting of the bombing, which killed three people and which many here believe was a deliberate act to punish China for its opposition to the North Atlantic Treaty Organization's air campaign against Yugoslav President Slobodan Milosevic.

Los Angeles Times April 12, 2000, Wednesday,

"Only in this way can Sino-U.S. relations maintain healthy and stable development," Foreign Ministry spokesman Sun Yuxi said Tuesday.

But Beijing has in effect dropped its insistence on receiving a "satisfactory accounting" of the bombing before resuming full-scale exchanges with the U.S. in the areas in which it broke off talks.

China acknowledged Tuesday that it is working to formally reestablish talks on controlling the spread of nuclear weapons.

When National Security Advisor Samuel R. "Sandy" Berger came to Beijing last month, "he raised a request for the resumption of talks on nuclear nonproliferation," Sun told reporters. "The Chinese side has already agreed to this. The two sides are currently making concrete arrangements through diplomatic channels."

Just three months ago, China's top arms negotiator, Sha Zukang, said in an interview with The Times that Beijing was "not in the mood" to talk about arms control issues with the U.S. side.

Last month, however, China accepted a visit by the State Department's Norman Wulf, the first U.S. official to visit who is directly responsible for nonproliferation issues. The discussions centered on a U.N. nonproliferation conference scheduled for next month in New York rather than on specific arms control concerns involving Washington and Beijing.

Talks in this area remain limited to multilateral rather than bilateral issues, and only when the Chinese side sees talks to be in its interest, sources say. Some of the dialogue has occurred behind the scenes at international forums.

In the same way, talks on the prickly issue of human rights have mostly been confined to ad hoc discussions through back channels rather than a formal resumption of the dialogue set up after President Clinton's visit to China in 1998.

Even before the embassy bombing, the dialogue had begun to hit the skids because Beijing was angry that Washington had decided to sponsor a U.N. resolution criticizing China's human rights record. The bombing simply sealed the dialogue's fate, analysts say.

In the aftermath, virtually all discussion between the two sides on human rights ceased. The Chinese Foreign Ministry refused to accept calls or requests for information from U.S. officials about specific human rights cases.

Now, although no one expects the formal dialogue to start up again--especially not after the U.S. decision this year to yet again sponsor a U.N. condemnation of China's human rights record--informal contact has sprouted.

Beijing recently released information on a group of prisoners to a private rights group based in San Francisco, analysts note. The Communist government also accepted the representations made by the U.S. Embassy in behalf of Rebiya Kadeer, a businesswoman from restive Xinjiang province who was jailed for allegedly leaking "state secrets" to her husband in the U.S.

Los Angeles Times April 12, 2000, Wednesday,

Analysts worry that Beijing's recent firings or censure of several top liberal academics is a sign of a tightening in the political atmosphere, though no arrests have been made. The academics were accused of embracing Western political and economic ideals, which are still officially anathema in China despite the country's vast changes of the past 20 years.

Although nobody on either side talks of a "strategic partnership" anymore but rather of strategic competition between the two powers, the Clinton administration and the Chinese government have resumed military contacts.

In January, Beijing sent Gen. Xiong Guangkai to Washington, the highest-ranking military official to visit since last May. Last month, Adm. Dennis Cutler Blair, the commander of U.S. forces in the Pacific, came through Beijing. Defense Secretary William S. Cohen is expected to visit China this summer.

The exchanges led to no major breakthroughs. Officials have described sometimes tense meetings during which the Chinese lectured the Americans on U.S. support of Taiwan.

Still, the high-ranking contacts reaffirmed the importance the Communist regime attaches to its ties with Washington, especially when crucial issues such as China's trade status with the U.S. and its entry into the World Trade Organization sit on the table.

Beijing "still puts Sino-U.S. relations as the cornerstone of our diplomacy," said Jin Canrong of the Chinese Academy of Social Sciences.

Nonetheless, China will continue to cite the embassy bombing and repeat the demand for an acceptable explanation whenever Beijing wants or needs to take a harder line against Washington, analysts say. Such rhetoric remains a useful tool for the regime, if only because it enables Chinese authorities to look strong in the eyes of an increasingly nationalistic Chinese public or to express unhappiness with how the Sino-U.S. relationship is going.

LANGUAGE: English

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April 24, 2000

SECTION: FEATURES; Pg. 18

LENGTH: 4104 words

HEADLINE: UNION MAN

BYLINE: BY HAROLD MEYERSON

BODY:

Steve Rosenthal, political director of the AFL-CIO, is perhaps the only one of America's thousands of political strategists who genuinely has armies to deploy. And as Rosenthal sees it, the time to elect Al Gore is now. "The campaign is going to be won or lost between now and August, not after Labor Day," he told me on a mid-March morning. "The most important thing we can do over the next five months is to reach the quarter of the electorate that comes from union households, to let them know that Bush has opposed raising the minimum wage, that he supports anti-union 'right to work' legislation federally as well as in the states. We have a sustained message; we'll be leafleting in the work sites every month, phoning, mailing. . . ."

The AFL-CIO long ago targeted key states for this year's general election; the budgets and coordinators have been in place for many months now. Like his fellow strategists, Rosenthal thinks the presidential contest is likely to be decided in a belt of old-line industrial states reaching from New Jersey to Pennsylvania, Ohio, Michigan, Illinois, Wisconsin, and Missouri. Unlike his fellow strategists, he knows his organization can call on thousands of activists in those states to spread the word for Gore in the weeks ahead.

Or can it?

WE LOVE HIM, WE LOVE HIM NOT

Labor's twin political powerhouses in the Jersey City -- to -- Kansas City belt are the public sector unions, like the American Federation of State, County and Municipal Employees (AFSCME), the Service Employees International Union (SEIU), and the teachers' unions, and the industrial unions, such as the United Steelworkers, the United Auto Workers (UAW), and the Teamsters. The only two major federation unions that have yet to endorse Gore, though, are the UAW and the Teamsters, for whom Gore's continuing allegiance to free trade remains a major stumbling block. For the past half-year, Gore has been trying to square a circle on trade -- maintaining his active support for free trade generally and China's entry into the World Trade Organization in particular, while suggesting at the same time that the trade policy of a Gore administration would be more labor-friendly than that of the Clinton White House. Last October, at the AFL-CIO's national convention (which, not coincidentally, endorsed him for president), the vice president vowed that any Gore trade treaties would enshrine worker rights and environmental standards as central provisions. This past

February, he told some of the union presidents gathered for the federation's executive council meeting in New Orleans that he'd revisit the terms of the China accord if it failed to pass in the current congressional session,

demanding greater labor safeguards in its second incarnation. The following day, taken to the woodshed by the Clinton White House, he issued a clarification of his position, insisting he'd stick with the existing language of the proposed accord.

In the rarified world of the unions' Washington-based political and legislative operatives, however, Gore's New Orleans nod toward labor -- faint, qualified, and open to interpretation though it may have been -- was appreciated. After all, you could hardly expect him to break publicly with either Clinton or corporate America on China. "I appreciate his creating the ambiguity," one senior labor functionary told me one Tuesday in March.

By the following day, however, ambiguity had turned to perfidy in the minds of even the most jaded of union operatives. On Wednesday, March 15, Gore told The Wall Street Journal that he would not renegotiate the China pact, that free trade was in fact the way to ensure the spread of human rights, and that when he'd said that trade accords needed to have labor and environmental standards, he hadn't meant that violations of those standards would necessarily trigger sanctions. "We will have a hard enough time gaining acceptance of the principle [of fast track] without specifying in detail, in advance, exactly how the principle is embodied in agreements," he said. It is possible, he continued, that violations could result in the kinds of fines called for by the side agreements in NAFTA.

The side agreements in NAFTA?! For labor, these were the very emblem of faithless window dressing. What was Gore thinking? Here a vast political program was ready to roll, in the very states he needed most, requiring the passionate engagement of the UAW and the Steelworkers and the Teamsters if it was really going to work -- and Gore was suggesting that his new world-trade order would incorporate the very features of the existing world-trade order that were most anathema to the unions. The morning the interview appeared, union officials were shouting over the phone lines, both to Gore's campaign and to one another -- and, in the latter case, posing one basic question (rhetorical in some instances, literal in others): Why did we endorse this guy? Or, in the case of Auto and the Teamsters, how does he think we can endorse him now?

Gore may have learned a lot from Bill Clinton, but he doesn't seem to have picked up the president's knack for triangulation. Confronted with conflicting positions that divide New Democrats from Old, the vice president at times seems unable to fuse the elements of both into a distinct third way, and instead shuttles back and forth between contradictory postures. The split in Gore, moreover, is mirrored by a split in his campaign. Intellectually -- as personified by his policy operatives Elaine Kamarck, Bruce Reed, and William Galston -- his campaign is New Democrat all the way. Politically -- as personified by his campaign manager Donna Brazile -- his campaign is inclined toward and even invested in the core Democratic constituency groups [see Nicholas Confessore, "The Odd Couple," page 23].

If triangulation seems harder for the veep than for the pres, it may be because Gore is more deeply rooted than Clinton in both sides of the divide. Intellectually a creature of the Democratic Leadership Council (DLC), Gore is at

the same time politically a creature of the Beltway Democratic Party, which first and foremost means labor.

A PRO-LABOR NEW DEMOCRAT?

Throughout the Clinton presidency, Gore has frequently played a center-right role on matters of economic policy. As is well-known, he counseled Clinton in 1996 to sign the Republican bill ending welfare. He was also a deficit hawk right from the start, joining Leon Panetta and Alice Rivlin as among the most ardent advocates of cutting the deficit during the 1993 debate that defined the direction of the incoming administration. He is now, apparently, a debt-retirement hawk as well, telling *The Wall Street Journal* in a January interview that the federal budget should stay in balance even during a recession, that "just as a corporation has to cut expenses as revenues fall off . . . [a downturn] should be viewed as an opportunity to push that change [eliminating middle managers from the government] further before any other options are considered." (This repudiation of Keynesianism was too much even for John McCain to bear; told of Gore's comments, he responded, "One of the options to stimulate the economy is to make investments, and that may entail deficit spending.") On macroeconomics, Gore seems to have moved beyond the fiscal austerity of such DLC paladins as Al From, and not because there's any notable political pressure in the land for debt retirement as the north star of public policy. Left to his own devices, Gore is becoming our first Andrew Mellon Democrat.

Gore was hardly a tribune for labor issues either in the early years of the Clinton White House. With Thomas "Mack" McLarty, he was a champion of extending NAFTA to all of Latin America. Depending on whom you talk to, he was either an outright opponent or a lukewarm advocate of the minimum wage hike of 1996 when it first surfaced in White House deliberations in 1995. "He certainly wasn't a supporter of the confrontational tactics of [senators Edward] Kennedy and [Tom] Daschle [who were attaching it as an amendment to a succession of bills to embarrass the Republicans]," one former White House official recalls. "Early in '95, Gore was a Morrisite, looking to co-opt Republicans rather than confront them. He also considered jettisoning Davis-Bacon [the 1931 act mandating prevailing union wages on federal construction projects] and other labor laws as part of his reinventing government projects." Indeed, Gore's policy people in the Clinton White House -- chiefly, Kamarck and Reed, who now are the policy people on his campaign and would probably be the chief domestic policy people in the Gore White House -- were the administration's leading apostles for down-sizing the government, privatizing its functions, and slashing the deficit, and among its champions of free trade.

"Gore is even more of a wonk than Clinton is," says one leading labor policy staffer based in Washington, "and he's a DLC True Believer. Clinton looks at policy and thinks about how to move it politically; Gore is more into the mechanics of policy as such. I'm concerned that he may really want to get rid of lots of federal employees on his watch."

And yet, Gore was the unions' go-to guy in the White House. "Whenever the Clinton administration got really bad on specific union issues," says one former AFL-CIO official, "you went to Gore. He had a political sense of the need to accommodate labor. He has a better sense of the institutional relationship of labor to the Democratic Party than Clinton's ever had."

Gore spent the first six years of his vice presidency assuming that his most likely primary opponent in 2000 would be Dick Gephardt, whose claim on labor's allegiance might well have trumped his own. Moreover, it was apparent by the time of the 1996 election, even more apparent by the time of labor's victory in the 1997 fast track fight, and more apparent yet by the time of labor's victory in the 1998 battle over California's initiative curtailing union political programs, that the value of an AFL-CIO endorsement was rising like Internet stock. Ingratiating himself to the unions became a matter of utmost urgency.

At the most basic, if not quite substantial, level, that meant schmoozing the union presidents, inviting them over to the White House and to a range of functions. More seriously, it meant that when pro-union positions were to be announced -- such as the 1995 executive order prohibiting government contractors from hiring striker replacements -- it would be Gore who announced them.

Even more seriously, it meant that when a union needed help, in public policy or in the brave new world of organizing, Gore, like Tom Joad, would be there. He campaigned against California's Proposition 226, the initiative that would have defunded unions' political programs, when it was trailing by a 70-to-21 percent margin; he helped raise money for the opposition effort. When the Los Angeles County health system was facing bankruptcy in the mid-1990s, he answered the pleas of SEIU (California's main public sector union) to stop the federal interagency squabbling that was blocking a solution to the problem. ("It was more challenging to get cooperation between the Department of Labor and Health and Human Services than between the Serbs and the Croats," one SEIU official recalled, "and Gore did it.") When L.A. County Supervisor Gloria Molina, who is vice chair of the Democratic National Committee, was reluctant to establish the public authority required to grant collective bargaining rights to L.A.'s 74,000 home care workers -- a campaign SEIU had been working on for 12 years -- Gore called Molina at least twice to suggest she might rethink her position. (She did.) Gore even phoned major property-owner associates who owned buildings where janitors were attempting to win union recognition (another SEIU effort), and suggested he'd help facilitate negotiations.

In the admiring words of SEIU President Andy Stern, "On things that elected officials are involved in themselves, such as recognition for home care workers or collective bargaining in Puerto Rico, or on other issues where he knew a real estate owner was involved in a dispute, he often called and encouraged them to meet and find common ground."

Gore's activism wasn't confined to the SEIU. He leaned on the Defense Department to break off its contract with Avondale Shipyards, the New Orleans facility that refused for half a decade to negotiate with the union its workers had voted in. He intervened to be sure that federal regulations protected Texas public employees from the specter of privatization at the hands of the state's new Republican governor. As one labor leader puts it, "We don't hesitate to ask Gore for lots of things. He's walked picket lines for us, intervened in organizing drives; he's a lot more of a known quantity, certainly, than Clinton was in '92."

So has labor endorsed Dr. Jekyll simply by refusing to contemplate Mr. Hyde? Several senior union policy staffers acknowledge that Gore's budgetary views

haven't been the object of much contemplation. "Unfortunately," says one, "I don't think the vice president is at all singular as to his macroeconomics, and I don't think either he or we have made a big deal of it during the campaign." Says another, "Gore is running to the right of where Clinton has governed on economics, which sure leaves open the question of what he'd do as president if a recession struck. But there's been very little discussion of that. That's probably a mistake."

More important, though, even Gore's harsher critics in labor acknowledge that in one very significant particular, Gore has managed to fuse policy and politics in a distinctly pro-union way. In what is probably the most surprising twist of his career, Al Gore over the past half-decade has become a real champion of workers' right to unionize.

THE ORGANIZER

The change here began not with Gore but with John Sweeney and his own reinvention of the labor movement. Unions' involvement in politics, said Sweeney from the first day he became AFL-CIO president, was chiefly a means to help organizing drives, to create a better climate for the movement to reverse the decline of four decades. Elected officials who got labor support would in turn be expected to support unions in struggle. The unspoken corollary was that the person who got labor's support for president would be expected to support unions in struggle more than anyone else.

And so the federation began to bring workers who'd been fired for daring to organize, harassed by supervisors, or denied basic rights in the workplace, and took them around to meet with the Democratic congressional delegation or with candidates in their own states. And wherever Gore went to talk to a union, the rule was, have him meet with the workers. Let him see what they're going through.

"I have always believed that the American people, if they just heard what workers have to go through to win a voice in their workplace, wouldn't stand for it," says John Wilhelm, president of the Hotel Employees and Restaurant Employees union, who, with Stern, is one of the small number of organizing geniuses of the Sweeney era. "Anyone would be moved by their stories," Wilhelm continues. "Gore has been, and it shows. I give a lot of credit to the federation, which has arranged for him to meet with workers involved in difficult struggles everywhere he goes. And with respect to the overriding issue for American labor, the right to organize, Al Gore is better than any candidate I can remember."

In his speeches to unions, Gore now routinely brings to the podium the workers he's met and tells their stories. He goes on to say that organizing is a basic American right and that as president he'd strengthen it -- though he gets no more specific than to say he'd favor increasing the penalties on employers who find it cheaper to violate the terms of the National Labor Relations Act than to grant their workers a raise. Gore even goes so far as to discuss the right to unionize in speeches delivered to groups other than unions, though that is still more the exception than the norm.

Union leaders tend to be among the less credulous of political observers, but it's hard to find one who isn't at some level moved by the vice president's

performances on behalf of unionization. "On this issue, the overriding issue, Gore is almost a better candidate than we have a right to expect, given the low level of unionization in the U.S.," says Wilhelm. Many see Gore's commitment to unionization as balancing off his other flaws. "If he doesn't do what he said at L.A. and New Orleans that he'd do on trade, the only way he can escape with his head, as far as unions are concerned, is if he really does something on the right to organize," one union political official says. "Even if we don't have the votes in Congress to strengthen labor law, he could still use the bully pulpit and help create the climate for that change; he could highlight in his State of the Union the contributions that unions make to the nation."

Still, other union officials contend that Gore's education on the plight of working people has given him a more nuanced, less DLCesque view of the economy. As AFL-CIO Policy Director David Smith sees it, "This is somebody who gets the core concern that unionized manufacturing jobs contribute in a special way to building an inclusive, broadly middle-class economy, somebody who doesn't settle for the standard rhetoric of creative destruction, who cares if there are losers as well as winners in economic change. The vice president understands it's not all Cisco Systems out there in the new economy, and that leads him to two conclusions that our folks respond positively to: First, making the new economy work in the service sector means that trade unions and worker rights and collective action are all necessary, and second, the notion that the old economy is a relic we'd be better off without is simply not true."

Smith's view as to the extent of Gore's conversion is not universally held in labor's high councils -- anyway, it certainly wasn't universally held two days after Smith and I spoke, which was the day that Gore rethought trade yet again in The Wall Street Journal. People who worked with Gore in the administration differ on Gore's about-face on labor issues as well. "I believe Gore's conversion on labor questions is relatively sincere," one former high-ranking administration official says, "but it's a sincerity born of necessity. He was suspicious of labor; they hated him; but over time, they came to see that they needed each other -- an archetypal co-dependent relationship."

Moreover, Sweeney's turn to organizing -- and to Gore -- coincided with the ascent of the Gingrichites on the Hill. Inescapably, Gore the cutter of government became Gore the defender of the New Deal legacy against those wacky Republicans. The repositioning was by no means complete, but where Gore did "stay and fight," the affected unions certainly appreciated it. "In 1995 it would have been very easy to walk away from Medicaid," says SEIU's Stern. "But when the budget fight was going on, Gore was very clear on the need to maintain public health care. Within the administration, he was the one who drew the line on Medicaid."

Gore the cutter didn't vanish altogether, however. In the course of his efforts to downsize the government, he negotiated some losses-by-attrition with Treasury employees and some AFSCME units. And not all federal employee unionists have been brimming with cheer over labor's support for Gore. The leadership of the American Federation of Government Employees -- the largest union of federal workers -- is in trouble with its members for its Gore endorsement, and the federal employee affiliate within SEIU (a small part of the international) has declined to endorse Gore at all.

Which does raise the question of whether any unions have reached discreet

agreements with the veep about policy and personnel matters that would most impact them in a Gore administration. AFSCME would be well advised to reach some quiet understanding about privatization or the lack thereof. Plainly, it is in the interests of the building trades to win an assurance that no one will go after Davis-Bacon, which protects union wages in government construction contracts. SEIU, which is also the nation's largest union of health care workers, would like a friendly Health and Human Services secretary. And the nation's manufacturing unions would like at minimum to return to a state of watchful ambiguity, rather than profound depression, on matters of trade.

The best time to have reached these understandings, however, was before the federation endorsement last October -- a point that a number of international presidents raised at that time. Instead, the endorsement was pushed through for a variety of reasons: Of the two Democratic candidates, labor clearly owed Gore more than it owed Bradley; given the then-shaky state of the Gore campaign, the veep could ill afford to have the AFL-CIO delay its decision; and finally, Sweeney told his fellow presidents that this was the time for labor to act together. In the end, it was the respect that Sweeney's colleagues accorded him -- more than their regard for Gore -- that proved decisive. "I did this for John," one international president told me at the time.

Labor then proceeded to play an absolutely decisive role in Gore's two-state battle for the nomination. Their support in Iowa was overwhelming but unsurprising. In New Hampshire, labor produced a good half of Gore's volunteers, and union households gave Gore 62 percent of their vote, while his overall margin of victory over Bill Bradley hovered at 4 percent. Just to ice the victory, labor did significant work in California, Ohio, and New York for the March 7 primaries. Gore's debt to labor is huge, but today, as before the AFL-CIO endorsement, there's little evidence that unions have struck any special understandings with Gore on matters of policy or personnel. "A lot of unions don't bargain in this kind of context the way we do with employers," says one international's longtime lobbyist.

In the end, unions are counting on being able to do business with the political, not the intellectual, Al Gore. "He's not an insulated or isolated elected official," says Stern. "A lot of his advisers don't share our members' thinking, but I don't think that prevents him from hearing other points of view." By several accounts, AFSCME President Jerry McEntee and SEIU's Stern have easy access to Gore, as, of course, does Sweeney.

"Gore understands politics the way many labor leaders do," says one Washington-based political consultant who works with a number of unions and Democratic elected officials. "Their world is one where one performs favors and expects favors in return. Gore will infuriate labor periodically, and they know what those issues will be. But labor has a sense this guy will play ball with them."

Finally, it's important to remember that the precipitating cause of the successful Sweeney insurgency of 1995 was the Republican takeover of Congress in 1994. Four decades of declining representation in the work force was a slow rolling catastrophe, but did not in itself provoke the revolution. The loss of the House was what brought the Kirkland years to an abrupt halt.

The answer to the question of Why Gore?, then, has little to do with Gore at

all. Congress is still in Republican hands, and labor simply cannot afford to risk having a Republican -- a union-busting Texas Republican at that -- in the White House. Last year was the first in 40 in which unions arrested their decline as a percentage of the work force (at 13.9 percent). Should that decline recommence, the unions don't have that much further down to go before they're simply out.

"This is all about beating Bush," the consultant says, "and Gore's particular positions, his strengths and weaknesses, are almost irrelevant to the calculations that went into the endorsement. It was less an assessment of Gore than something much more strategic." A former AFL-CIO senior staffer echoes this sentiment somewhat more pungently: "This isn't about what Gore can do for us," he says. "This is about, we're in a world of shit if we lose the White House and don't win back the House."

GRAPHIC: Pictures 1 through 3, no caption, MARCIA STAIMER

LANGUAGE: ENGLISH

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The American Prospect

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.

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The Economist

April 08, 2000 , U.S. Edition

LENGTH: 1025 words

HEADLINE: Demystifying China

HIGHLIGHT:

China is neither an economic power, nor yet a military one. It is a country beset by woes that its leaders are ill equipped to deal with

BODY:

THE West cannot quite make up its mind about how it wants to deal with China. That French philosopher-king, Jacques Chirac, sends poems each month to China's president, Jiang Zemin, who responds with his own calligraphy. Yet defence planners in western capitals play their games on the assumption that the next big war may be between American-led forces and a rising China bent on trouble. In America, big business lobbies Congress to treat China as a normal trading nation, while Congress urges the administration to sell more weapons to Taiwan, as defence against Communist Chinese threats. Golden economic prize or rising international menace? Is China one or the other? Both or neither?

If China is not the golden economic prize it is made out to be, then the world at the very least risks wasting a fabulous amount of money. If it is not really the rising international menace that Senator Jesse Helms makes it out to be, then treating it as such could, at worst, help turn it into one. At best, the West would lose what influence it may have had in nudging China away from its many dissatisfactions and down more democratic paths.

Foreign interest in China's commercial promise typically follows a roller-coaster course that starts in hope and ends in despair. Hopes are rising again, with the prospect that China may be a member of the World Trade Organisation (WTO) by the end of this year. This has long been the stuff of salesmen's dreams: 2.6 billion armpits to deodorise. Added fervour comes from the Internet craze, with foreigners falling over themselves to invest in Chinese dot.coms -- no matter that government deems such investment illegal.

Time to clear up a misunderstanding. China has never been the prize that foreign businessmen have imagined -- foreigners earn an average return on equity of just 3.3% -- and will not be for a long time to come. Much of the place is still miserably poor: average income per person is less than \$1,000 a year. Indeed, China probably should not be buying many of the aircraft, power plants and capital goods, not to mention the fighters, bombers and submarines, that outsiders are selling it. Should the economy really take a tumble -- after an American economic plunge, say, or a bout of self-inflicted regional instability over Taiwan -- China would have trouble repaying loans. Meanwhile, WTO membership will not mean a surge of foreign imports.

Another misunderstanding, when the roller-coaster heads for despair, is about

the treatment of foreign companies in China. They do not get a rawer deal than local ones. Rather, they are usually side-swiped by restrictions that hit deserving domestic companies harder. Indeed, foreigners often have investment privileges denied to locals. Yet it is these home-grown outfits that hold the key to the future. The real significance of China's WTO membership is not as a bonanza for foreigners, but as a rod for the forces of reform to beat back a still stifling state and to build up the rule of law.

The Chinese state will no doubt continue to resist. China's membership of the WTO will assuredly place strains on that organisation, as the socialist legacy of protectionism clashes with international trading rules. There are risks here for the West. But is the WTO so weak an organisation that the clash will mortally harm it? China's trade with the rest of the world is still smaller than the Netherlands'. And, even realistically imagined, the potential prize of admitting China is still worth having: a continental-sized, more liberal economy that promotes regional stability where now it lends instability.

What of China as a rising international menace? As our article 1002 points out, China's armed forces, though capable of regional mischief over Taiwan or disputed claims in the South China Sea, are still far from being the fighting machine its generals seem to want outsiders to believe. In other ways, China is slowly starting to conform to accepted international practices. It has signed the Nuclear Non-Proliferation Treaty and the Comprehensive Test Ban Treaty. Under American pressure, it has started to curb military and nuclear sales to unstable states, such as Iran and Pakistan. And it takes part in regional talking clubs, albeit with a determination to keep Taiwan either out or down.

The reason is that China wants its rightful place at the top table of nations, and enjoys the back-slapping that comes with it. Its leaders want economic prosperity too, since their rule rests upon it, and membership of the WTO seems the only way to achieve it. China may rant about American "hegemony" but, step by step, it is surrendering to an international order that, while often American-led, enjoys broad support.

Raising the standard

This is the level-headed case for engaging China. But engagement is not certain to transform it for the better. Capitalist economics and communist politics cannot coexist for ever: the risks of instability will grow, as the demands for a liberalised economy clash with an illiberal state. If China turns militaristic, even fascist, the West will have to contain the threat that poses, as it has done before. Perhaps the greater peril would be a collapse of central authority under severe economic strain. Such an upheaval would not necessarily bring democracy. It might intensify concerns about weapons proliferation, illegal emigration and international crime.

Whether the worry is about China's future strengths or weaknesses, its uncertain future makes the pursuit of diplomacy with it that much harder. Opting for illusion over reality, some western governments treat China's weaknesses as strengths, overlooking the regime's disdain for human rights and its intermittent bullying of its smaller neighbours, in the hope of winning commercial favours from the state. Better to be clear about the international standards expected, whether on trade, human rights or the use of force, and deal with China on all fronts. For China is not a monolith. As it changes, so the

voices and interests that make up the country multiply. The West would do well to engage them all.

GRAPHIC: graphic, no caption

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In These Times

April 3, 2000

SECTION: Editorial Pg. 4

LENGTH: 652 words

HEADLINE: The China Question

BYLINE: By David Moberg

BODY:

U.S. relations with China, never straightforward, have grown even pricklier. After bombing the Chinese Embassy in Belgrade, the Clinton administration negotiated an agreement for China's entry into the World Trade Organization. Yet even as Clinton lobbies for a permanent normal trading relationship (NTR) with China as part of that deal, the State Department recently reported that China's "poor human rights record [has] deteriorated markedly."

Then China abruptly threatened to invade Taiwan if unification talks don't progress quickly. That undermined already shaky prospects for a permanent NTR and boosted chances the Senate will approve the Taiwan Security Enhancement Act, deepening U.S. military commitments, and the Pentagon will sell Taiwan four destroyers equipped with sophisticated missile defense radar.

U.S. big business clearly wants secure access to Chinese markets and cheap labor. Most Republicans want to oblige. But in a recent Hart Research Associates poll, 65 percent of Americans surveyed said they opposed permanent NTR, including 75 percent of Republicans. About 70 percent of Americans agreed that Chinese human rights abuses should preclude greater access to U.S. markets and that cheap Chinese labor threatens American jobs. By contrast, only a fifth of those surveyed agreed with Clinton's argument that expanded trade will create more American jobs and improve human rights in China. Opposition to Clinton, however, consists of an uneasy coalition of right-wing anti-communists along with liberal human rights groups, unions and critics of globalization.

What should progressives try to do? First, oppose both deeper military obligations and the sale of new arms to Taiwan. China's invasion talk is reckless, but it's more likely bravado intended to influence elections in Taiwan than any meaningful threat. Further U.S. military involvement will only make matters worse.

It's important that the debate over permanent NTR not degenerate into China-bashing and crude anti-communism. The focus should be on the failure of the WTO to protect workers rights and the environment, as well as the ways in which multinational corporations use the rules of the game to take advantage of workers in both China and the United States. Although some progressives argue that the United States has no business lecturing China, it is perfectly legitimate to raise the issue of human and workers rights in China: Any country should be able to restrict trade with countries where goods are produced under

In These Times April 3, 2000

unacceptable conditions -- a view that flies in the face of WTO rules.

The ballooning U.S. trade deficit -- roughly one-fourth of which comes from trade with China -- is unsustainable and ultimately a threat to the global economy. While some American workers have lost jobs as multinationals take advantage of cheap Chinese labor, the biggest losers have been workers in other Asian countries. Chinese workers and peasants themselves also would lose under China's trade agreement with the United States and WTO membership -- with peasants forced off the land and workers exposed to greater instability, while the elite prosper. And without time to create strong political and economic institutions, rapid marketization could plunge China into Russian-style chaos. Thus Chinese authorities, who have a record of ignoring trade agreements, are likely to renege on their new agreements to protect national industries and prevent social chaos.

It may be unfair to single out China, since many WTO members abuse human and workers rights. But creating obstacles to Chinese entry into the WTO until global economic rules are rewritten is an important tactic to gain political leverage and to continue the challenge to globalization that got a boost last fall in Seattle. That's the goal in this battle, not getting into a war with China, whether military or economic.

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The Weekly Standard

April 3, 2000

SECTION: EDITORIAL; Pg. 11

LENGTH: 1099 words

HEADLINE: China, Taiwan, and a Load of Fertilizer

BYLINE: Robert Kagan, for the Editors

BODY:

On March 16, as the people of Taiwan were preparing to make history by turning out the ruling Nationalist party in the most momentous election in the 5,000-year history of the Chinese people, and as the Chinese rulers in Beijing were thundering ever more ominous threats of war should the Taiwanese electorate vote for opposition candidate Chen Shui-bian, Republican senator Chuck Grassley sent a letter appealing to the Beijing government to address "a very important matter." To underscore the importance of this very important matter, Grassley let the Chinese know that it was very important "to me personally." It was a matter which, the senator demanded "in the strongest possible terms," the Chinese must urgently resolve.

And what very important matter was on Senator Grassley's mind the day after China's "moderate" premier, Zhu Rongji, threatened war with Taiwan? What was on the senator's mind was fertilizer. The Chinese, it seems, have been restricting access to American fertilizer producers -- some of them no doubt based in Senator Grassley's own state of Iowa -- in a manner which the good senator finds "completely contrary to the free trade principles at the heart" of the World Trade Organization. This is, of course, shocking news. And it is a real detriment to America's vital national interests, given the fact that, as Grassley pointed out in his letter, "Fertilizer is the fourth largest United States export to China." Indeed, the United States exported a little over \$ 900 million worth of fertilizer to Chinese farmers last year. That's about one-seventieth of the U.S. trade deficit with China.

Welcome to American politics at the dawn of the 21st century. When it comes to selling fertilizer, or textiles, or CDs, our politicians are prepared to play hardball with Beijing, or at least to talk a tough game. When it comes to defending the vibrant democracy of Taiwan from Chinese military intimidation and attack, or preparing the American people for a possible conflict with China sometime in the future, well, that is another story.

As the Republican-led Congress rushes to pass permanent most-favored-nation trade status for China, there is little indication that the Senate will take any action on the Taiwan Security Enhancement Act. That legislation, already passed overwhelmingly by the House, would strengthen military ties between the United States and Taiwan, increase Taiwan's ability to defend itself, and send a clear message to Beijing that its bellicose threats against Taiwan can only strengthen American resolve to come to Taiwan's aid.

Leading senators, however, together with the Clinton administration, seem determined to send a very different message to Beijing. Their message is: Threaten Taiwan, and get a new trade deal. For these senators, it seems, trade trumps everything. The day after Taiwanese voters defied Beijing and elected Chen president, the only thing that worried most Republican congressional leaders, as well as Clinton administration officials, was that Beijing might "overreact," hurting chances for permanent MFN for China. Grassley was on hands and knees, literally begging the Chinese to play it cool long enough to get past the vote. "I beg them," he said, "as a friend, just don't overreact." A Chinese military attack on Taiwan, Grassley said, would kill China's chances for getting into the WTO this year -- and what would happen to the fertilizer producers then?

There are many sound, economic reasons to oppose granting permanent MFN status to China this year. Some of them were outlined by former Reagan Pentagon official Richard Perle at a Senate Finance Committee hearing last week. Perle, as a loyal adviser to George W. Bush, officially declares his support for permanent MFN for China. But when asked if the Chinese could be trusted to live up to any agreement and provide a "level playing field" for foreign businesses, Perle candidly admitted that such goals were illusory. "It would be hard to imagine more outrageously predatory behavior than that practiced by Chinese industry," Perle warned. "They'll lie, cheat, and steal on a breathtaking scale." It would be a "great mistake," he argued, "to expect a level playing field, because in China there is no level playing field, not even for private Chinese enterprises, much less foreign ones." Perle poured cold water on administration assurances, eagerly parroted by Republican congressional leaders, that China's entry into the WTO would necessarily open that economy up to American business. Americans should be "skeptical about the benefits to be found in Chinese membership in the WTO," he argued. "It is not self-enforcing, and unless we enter this with a plan for a vigorous defense of our rights under the WTO, when those rights are violated, as they surely will be, we will be bitterly disappointed."

And there are strategic arguments against granting permanent trade status to China. Already, American corporations have provided the Chinese military with advanced technologies that can someday be used against American forces. Already, the Chinese are using their enormous trade surplus with the United States to purchase advanced Russian weaponry that can be used in an attack on Taiwan. It would be one thing if Congress, while passing permanent trade status for China, were simultaneously instituting measures to prevent American trade with China from aiding its military buildup. But, of course, that is not happening. The same powerful corporate lobbyists who are ramming permanent MFN through Congress have also eviscerated every attempt to limit American technological and other assistance to the Chinese military. And they will be in an even stronger position to do so after permanent MFN is passed. The same lust for Chinese markets that has Senator Grassley talking about fertilizer when Taiwanese democracy is under threat of attack will continue to dominate U.S. policy toward an increasingly dangerous and belligerent Chinese government.

Lenin once quipped that the capitalists would sell the rope to hang themselves. During the long Cold War competition with the Soviet Union, this thankfully proved not to be an accurate judgment. For most of the Cold War, American strategic interests and moral principles trumped trade. That was

crucial to the West's eventual triumph. Unfortunately, as the potential for conflict between the United States and China grows with each passing year, Lenin, who was wrong in the twentieth century, is looking more and more prophetic about the twenty-first.

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World and I

April 1, 2000

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LENGTH: 2056 words

HEADLINE: What the U.S. Should Do : The U.S. government should encourage both
Chinas to negotiate their differences peacefully.

BYLINE: WORTZEL, LARRY

BODY:

U.S. views on Taiwan's sovereignty have been quite legalistic. Japan renounced its right and title to the islands after World War II, but their future status, according to a U.S. State Department document of 1954, was deliberately undermined by Washington. In fact, despite the hostility toward communism during the Cold War and the Korean War (1950- -53), in which China fought the United States and the United Nations, and a Mutual Defense Treaty with the Republic of China (ROC), the U.S. government avoided taking a clear position on Taiwan's status.

Even the language used in the January 1, 1979, communiquA recognizing the People's Republic of China (PRC) was very carefully worded. The United States remained agnostic as to Taiwan's status but "acknowledged the Chinese position that there is but one China and Taiwan is part of China." It has maintained steadfastly, however, that the communiquA only acknowledges the "Chinese [PRC] position" on the matter and does not necessarily agree. Thus, this cautious, legally restrictive language has created an ambiguous American position with respect to Taiwan's sovereignty and status.

This "strategic ambiguity" was further complicated when Washington notified Taiwan that the Mutual Defense Treaty between the ROC and the United States was being terminated. In reaction to the recognition of the PRC and termination of the treaty, Congress passed the Taiwan Relations Act (the TRA, Public Law 96--8). The TRA stated that peace and stability in the area of Taiwan are in the political, economic, and security interests of the United States and are matters of international concern.

The TRA also stated that the U.S. decision to establish diplomatic relations with the PRC rests on the expectation that Taiwan's future will be determined by peaceful means; attempts to determine its future by nonpeaceful means, including boycotts or embargoes, are a threat to the peace and security of the Western Pacific and of grave concern to America. The TRA required the United States to provide arms of a defensive character to Taiwan and to "maintain the capacity of

World and I April 1, 2000

the United States to resist any resort of force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people of Taiwan."

No real obligations

Many Americans believe that the United States is obligated by treaty or law to defend Taiwan in case of aggression by the PRC, but the TRA is very carefully worded. There is a certain amount of ambiguity and flexibility in how the United States might respond to any form of aggression. Debate about whether this "strategic ambiguity" should be clarified can be heated.

Some argue that the United States should make it clear that it will go to war to protect Taiwan and include the other islands of Kinmen, Matsu, and Penghu as part of the territory. Others believe that making any firm statement would embolden Taiwan to declare independence and get the United States into a war with the PRC. Still others might fight the PRC over Taiwan but would not commit American forces to fight for the other three islands. Another group argues that Taiwan should simply fend for itself.

On March 18, 2000, the ROC holds its second free, contested election for president. There is some debate in Taiwan about whether a candidate who might support independence should be elected. Before the first contested presidential election in 1996, the People's Liberation Army of the PRC conducted major military exercises and fired missiles off Taiwan's coast to influence voters not to elect a pro-independence candidate. Thus, a volatile period is approaching, and many ask whether the United States should now clarify its position.

In an election year in both the ROC and the United States, it is easy to forget what is going on in the mainland and Taiwan. To start with, the ROC is a democracy. Free, popular elections are no longer a distant hope.

By contrast, on the mainland, the Communist Party is cautiously experimenting with elections at the village level only, with candidates who have party approval. But in Taiwan, if the Kuomintang (the ruling party) loses, President Lee Teng-hui will yield the presidency to the winning candidate. It is important to remember that Taiwan no longer claims to be the legitimate government of all China, including the mainland.

Importance of trade and investment

Also lost in the electoral rhetoric is the fact that trade and investment across the Taiwan Strait are healthy. ROC investment in PRC industries amounts to about U.S. \$ 40 billion, and cross-strait trade runs about \$ 40 billion per year. This figure may be even higher if one factors in trade through Hong Kong that is destined for the United States.

The PRC's economic reforms are producing change on the mainland. Millions of Chinese citizens now have more freedom than ever before. The combination of outside foreign investment, including investment from the ROC, and government economic reform has produced a nascent middle class. Millions of people are forming private businesses. A competitive job market exists in many sectors of the PRC economy.

World and I April 1, 2000

People on the mainland are choosing where to live and whether to buy or rent homes and apartments. Home buyers can choose among mortgage lenders. There are goods in abundance in department stores and supermarkets, with competitive pricing. Even state-owned stores have changed their appearance and compete in the marketplace. There is no freedom of the press, but there is a robust publishing industry. Books and magazines covering a variety of topics must compete in the marketplace of ideas, circulation, and advertising.

Each year millions of PRC residents make personal choices about where to vacation and what airline or travel agency to choose. Eventually, China's people will begin to insist that if they can make informed choices in the marketplace, they should be allowed to make choices in the political arena. Thus there are ample reasons for the United States to continue to trade with China, despite Beijing's threats to use force against the ROC. It also means that Taiwan's slow, patient approach to revising its own relationship with the mainland may be the correct one.

Serious military buildup

That said, the military buildup in the Taiwan Strait is serious. The language exchanged between the mainland and Taiwan is often volatile. It is not easy for Americans to ignore the democratic achievements of the people of the ROC. Those who would simply abandon Taiwan if the mainland attacks are likely in the minority.

On the other hand, most Americans do not want to encourage behavior on Taiwan that could lead immediately to war. Because of the situation's volatility and its legal and diplomatic ramifications, the United States would not benefit from orchestrating the Taiwan-mainland discussions. Since World War II, thousands of Americans have advocated mediating between the communists and the Nationalists. Most often, however, such mediation would force the Nationalist side to accommodate to the communists.

But today in the ROC, we are no longer talking about negotiations between two Leninist parties. Negotiations are between a democratic Taiwan and the authoritarian, one-party PRC. The best course of action for the United States is to let the two sides work it out, while emphasizing, in accordance with the TRA, that there should be no use of force. From the time Gen. George Marshall walked out of stalled negotiations between the Nationalists and communists in 1947, to the time that President Ronald Reagan reassured the ROC that the United States would continue sales of defensive arms, the wise policy has been that the United States will not mediate the dispute. Neither should Washington pressure Taiwan to negotiate.

But, to reflect American values, the United States should take a firm stand on one issue. It must be clear and unambiguous that the American people will not abandon a democracy. This is the language of the TRA. This language served the United States well for almost 20 years. President Clinton departed from it in June 1998, when he declared in Shanghai the "three noes," stating that "we don't support independence for Taiwan, or two Chinas, or one Taiwan, one China. And we don't believe that Taiwan should be a member in any organization for which statehood is a requirement."

That language took the United State to a place that it had never been before

World and I April 1, 2000

by stripping away Taiwan's statehood. In fact, this very language probably prompted President Lee Teng-hui to lay out the provocative "two-state" formula in an interview with a German news organization in July 1999. One way to remedy the ROC's cloudy status is to reaffirm and reinforce the U.S. position by passing the Taiwan Security Enhancement Act, which recognizes the political changes on Taiwan. This legislation passed the U.S. House of Representatives in February with an overwhelming vote of 341--70.

It is important to clarify for the leaders of the PRC and its PLA that the United States will not tolerate the use of force to resolve differences across the Taiwan Strait. Just how the United States will respond to any use of force by China need not be specified. In fact, it should not be specified. The language of the TRA of 1979 was designed to leave some ambiguity and room for interpretation in the U.S. position. A good example was the presence of two U.S. aircraft-carrier battle groups off Taiwan when the PLA conducted military exercises in March 1996. Thus, some American commentators argue for strategic clarity, while others argue for strategic ambiguity. And there are those--perhaps infatuated by the ever-present mirage of billions of dollars in sales to China--who would accommodate Beijing and abandon the democracy on Taiwan in favor of what is still a communist one-party state.

Pledge to peace

The best course of action for American administrations, Republican or Democrat, is to maintain the pledge of the TRA: "We will regard any attempt to determine the future of Taiwan by other than peaceful means, including boycott or embargo, as a threat to the peace and security of the Western Pacific and a matter of grave concern to the United States." To remain true to ourselves, our history and our ideals, Americans cannot abandon a democratic state to military coercion and aggression. The PRC must be under no illusions on that score.

With respect to continuing trade with the PRC, the United States should stay the course. The political reforms that took place in the ROC and the economic progress there demonstrate that democracy can flourish in China. The policy of trade with the PRC has produced tremendous reform, which will increase when the PRC and Taiwan join the World Trade Organization. The Taiwan Security Enhancement Act will reinforce the message that no force will be tolerated to resolve the separation between Taiwan and the mainland.

With regard to ambiguity, there is no need to define what actions the United States will take if Beijing resorts to force. In military planning and operations, it is foolhardy to announce what one might do. The PRC must understand that the United States will not allow military aggression or coercion via boycott, embargo, or rocket firing that closes Taiwan's ports. Americans should not let academics, caught up in discussions of international relations theory, depart from sound legislation and military doctrine. That much clarity is needed. Thus a certain amount of ambiguity--strategic but not tactical--is necessary to achieve U.S. strategic goals.

The wise course of action is to let the two sides of the Taiwan Strait negotiate the dispute. The United States must make it very clear that no force will be tolerated. It must also maintain America's capacity to act, if necessary, and a strong military presence in Asia. But the safest course is to provide the best defense equipment to Taiwan, including access to theater

World and I April 1, 2000

missile defenses as they come on line. And America should support reforms in China, which are producing a middle class and will change that country for the better.n

Larry Wortzel is director of the Asian Studies Center at the Heritage Foundation in Washington, D.C.

LANGUAGE: ENGLISH

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LEVEL 1... 482

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St. Petersburg Times

April 24, 2000, Monday

SECTION: NATIONAL; Pg. 1A

LENGTH: 1329 words

HEADLINE: Wavering or no, trade bill for China is likely to pass

BYLINE: SARA FRITZ

BODY:

Despite the agonizing and the opposition, events are falling in place for permanent normal trade relations.

WASHINGTON - As a pivotal House vote on U.S.-China trade relations approaches on May 22, the official list of undecided Congress members is still very long, including such Floridians as Democrats Karen Thurman and Corrine Brown and Republicans Mike Bilirakis and Tillie Fowler.

Undecided members are being buffeted by conflicting claims. Business lobbyists advocate permanent normal trade relations with China to promote economic growth. Labor activists think that such a move would improperly condone Chinese government policies that exploit workers, destroy the environment and deprive citizens of religious freedom.

Rep. Sander Levin, D-Mich., a senior member of the House Ways and Means Committee who is fast becoming the poster child for indecision on the issue, has been featured in dozens of nationwide news reports recently describing his politically agonizing struggle to chart a middle course between the two alternatives.

But the impending vote is probably not the cliffhanger that the musings of wavering members such as Levin make it seem. Supporters of permanent favored trade relations with China have many reasons to believe they are going to win.

Just last week, former House Foreign Affairs Committee Chairman Lee Hamilton, D-Ind., who now heads the Woodrow Wilson International Center for Scholars, predicted the House would approve permanent normal trade relations with China. And a coalition of big Internet companies issued a news release saying: "As we get closer to next month's vote, we feel even more confident that there will be strong bipartisan support for extending PNTR to China."

Surprisingly, the one event that has buoyed optimism among supporters was last week's announcement by House Minority Leader Richard Gephardt, D-Mo., that he opposes it.

To be more exact, it was the way Gephardt announced his opposition that

St. Petersburg Times, April 24, 2000

proponents of bill viewed as favorable. The opposition itself was expected.

Instead of making his announcement in Washington, Gephardt did it back in Missouri, where he is just another congressman, not the party leader.

He offered further encouragement to his opponents by declaring that even though he opposes the bill personally, he will not pressure other Democrats to vote against it.

Aides explained that Gephardt was downplaying his opposition to the bill because he does not want to tear his party apart before what he hopes will be the election of a Democratic House majority in November.

By doing it this way, Gephardt, who aspires to be speaker, can placate the labor unions whose help the Democrats need in the election without risking a confrontation with President Clinton and other Democrats who support the bill.

In another sign that it will pass, Levin is developing companion legislation that would create a mechanism for periodically reviewing China's human rights record. Critics dismiss it as a "fig leaf" designed to give political cover to Democrats who will vote for the trade bill, but it is likely to succeed in that purpose, making it easier for some undecided members to support the bill.

Until members of Congress return to the Capitol early next week, neither side will know exactly how many votes it can count on in the House.

A spokeswoman for Rep. Robert Matsui, D-Calif., who is leading the administration's drive in the House for approval of the trade bill, said at least one-third of the House membership is still officially undecided. In the Senate, which will vote June 5, passage of the bill is virtually certain.

As the tension builds, many of the House fence-sitters have refused to discuss the matter with the news media, preferring instead to consider the options in private. Thurman, D-Dunnellon, for example, declined a request for an interview with the St. Petersburg Times to talk about the competing pressure she feels from labor and industry in her district.

Assuming that about 150 Republicans will vote for the measure, the president needs at least 68 members of his own party to produce the 218 votes necessary to pass the legislation. Expert Democratic vote-counters say they are already near the goal.

Lobbying by both sides has been intense in recent weeks, even during the recess.

Officials of the Teamsters Union and other labor organizations visited many members in the home districts, including some in Florida, urging them to vote against the trade bill because it would encourage the export of U.S. jobs to China. Meanwhile, hometown business leaders were calling on members, emphasizing the economic benefits of increased U.S. exports to China.

Rep. Jim Davis, D-Tampa, who declared his support for the bill this year, argues that it would be especially good for increasing Florida's agricultural exports to China.

St. Petersburg Times, April 24, 2000

Clinton proposed the legislation to implement the trade agreement negotiated last year with Beijing by U.S. trade representative Charlene Barshefsky. It opens the way for China and Taiwan to join the World Trade Organization. In that agreement, China promised to open its markets much wider to foreign goods.

"By contrast to what China is committing," Barshefsky said, "we change none of our market access policies toward China. . . . We have only one obligation, and that is we must provide China under WTO rules with permanent normal trade relation status, or we will lose the full benefits of the agreement that we negotiated, including broad market access, special import protections and enforcement rights."

In recent years, Congress has had an opportunity to vote annually on the question of whether to renew normal trade relations with China. Once seen as a way for the United States to keep pressure on China to improve human rights, however, the annual vote has lately become so perfunctory that it no longer offers much leverage in dealings with Beijing.

Foreign policy experts such as Brent Scowcroft, White House national security adviser under President George Bush, argue that by establishing a lively trading relationship with China, the United States will nudge the Chinese toward a more democratic society and better relations with the West.

"This, in my judgment, goes far beyond American business and economic interest, important as these are to key U.S. political and security interests," Scowcroft says. Among other things, he contends, it will speed up the movement toward privatization of state-owned industries in China.

On the other side of the debate, perhaps the most persuasive opponent to granting the status is Chinese dissident Harry Wu, who has been lobbying on Capitol Hill and marching arm-in-arm with labor opponents of the legislation for many months. Wu contends the trade bill will only bolster oppression in China.

"It has long been fashionable to think that what is good for Wall Street is good for the United States," Wu recently told some members of Congress. "It is true that PNTR and WTO entry for China will further help (U.S.) companies economically. But the other major beneficiaries of China's entry into the WTO will be the Chinese Communist Party. . . . As the Chinese Communist Party grows richer and strong from this deal, part of its new wealth will go to upgrading its instruments of authority: the police and the military."

Yet despite Wu's persuasiveness and the influence that organized labor has among Democrats, many undecided members of Congress such as Sen. Byron Dorgan, D-N.D., seem to be resisting the argument that China's human rights policies can be influenced one way or the other by the vote on the trade bill.

"This is not a vote about whether or not to repudiate the Chinese," Dorgan said. " . . . It's about normal trade relations we're going to accord them this year or permanent normal trade relations. . . . I've not decided how I'm going to vote on this. But this is not a question of repudiate, yes or no."

E0987

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Los Angeles Times

April 23, 2000, Sunday, Home Edition

SECTION: Opinion; Part M; Page 2; Opinion Desk

LENGTH: 1215 words

HEADLINE: THE NATION / SOCIETY;
MIXING '60S ACTIVISM AND ANTI-GLOBALIZATION

BYLINE: Robert L. Borosage, Robert L. Borosage is a founder of the Campaign for America's, Future

DATELINE: WASHINGTON

BODY:

Kids today can't get any respect. First, their generation was described as apathetic, stirred only by dreams of dot-com fortunes. Then, when students stunned the world by joining turtle lovers and Teamsters to shut down the World Trade Organization meeting in Seattle last December, they were disparaged as "flat-Earth advocates." Last week, when they rallied against the World Bank and International Monetary Fund in Washington, and 1,300 were arrested in nonviolent protest, they were labeled "imitation activists," filling the time between "spring break and summer vacation, and between the last body-piercing and the first IPO." At least Washington and Seattle captured headlines. For the most vibrant student movement in years is roiling America's university campuses in relative obscurity.

Here's the reality so many can't see. Activist, idealistic students are in motion once again, seized of a morally compelling cause. Their target, amazingly, is nothing less than the global corporation. They are challenging the conservative free-trade agenda that dominates both major political parties. Already, they are forcing global companies such as Nike to scramble for cover. They've only just begun.

The most vital part of this growing movement is, perhaps, the least noticed. On more than 175 campuses, students are calling global corporations to account for their exploitation of workers abroad. They are mounting demonstrations, hunger strikes, seizing administration buildings, confronting university trustees and administrators, and getting arrested by the dozens in nonviolent protests. The two-person staff of the coordinating group, United Students Against Sweatshops, can't keep up with the e-mail from students seeking to get involved both here and abroad.

This movement is less than four years old. Its roots trace back to 1996, when

Los Angeles Times April 23, 2000, Sunday,

human-rights advocate Charles Kernaghan focused national attention on Honduran sweatshops in which young women worked at poverty wages, surrounded by barbed wire and armed guards, to sew clothes for a Kathie Lee Gifford fashion line. That summer, hundreds of university students joined worker struggles in this country as part of the AFL-CIO's Union Summer. Since then, groups of students have visited Central America to witness how women their own age work and live.

The students had a compelling moral argument: Let's not support companies that profit from exploiting workers abroad--and they acted on it. They targeted university apparel shops that buy logo clothing from global corporations with factories in Honduras, Indonesia and China, where worker rights are trampled. The \$ 2.5-billion collegiate retail-apparel industry represents just 1% of the U.S. apparel market but is key to the youth market. So students started calling for their universities to enforce a code of conduct on suppliers.

University administrators didn't need the hassle but had no ready response for the students. The companies realized they were in trouble. Nike's swoosh symbol started being associated less with Michael Jordan than with impoverished young women abroad. Nike and others circled the wagons, enlisting a few human-rights groups to form the Fair Labor Assn., establishing their own code of conduct with the companies in control. Company-paid consultants did inspections, with factories notified ahead of time. Reports were kept private while the company "remedied" any problem. The Clinton administration pumped money into the operation. Relieved university administrators signed up.

But the students weren't buying. As Marikah Mancini, a graduate student at Purdue, said, "The basic question was whether you were empowering the companies or the workers." The result of the FLA, Sarah Jacobson of the University of Oregon argued, "would be to hide, not expose sweatshop conditions." The students insisted that any code of conduct include protections for the rights of women and workers, require a living wage and ban production from countries where workers had no right to organize. Most important, the students demanded that companies disclose the location of all factories. This would allow local church and human-rights groups to do independent monitoring. Nike and others refused.

So the students organized a Worker Rights Consortium to monitor company practices, financed by 1% of the revenues produced by university garment sales. It would sponsor independent monitoring by local human-rights groups and make their findings public.

When university administrators resisted, the students upped the ante. At the University of Pennsylvania, the University of Wisconsin and elsewhere, students took over administration buildings. At Purdue, students camped out on the square, with several risking an 11-day hunger strike. At the University of Wisconsin, Eric Brakken was told he didn't have the student body's support. So he ran for student-government chairman on a no-sweatshops platform and won. Even at the University of Oregon, next door to Nike's corporate headquarters, students took over the president's office until he agreed to join the WRC.

Last year, facing suspension of contracts with Duke and other universities, Nike blinked and disclosed its factory locations. The other companies soon followed suit. Forty-four universities have now joined the WRC, including six Big 10 universities, Brown, Columbia and Georgetown. Two weeks ago, the entire University of California system signed up, issuing a code of conduct that

Los Angeles Times April 23, 2000, Sunday,

demands a living wage of all contractors.

The students have identified an issue--the spread of sweatshop labor--that cuts through the cant about free trade. They have found the leverage to move not just their campuses, but global corporations--and maybe even the entire debate about globalization. They are directly challenging the laissez-faire assumptions of the last quarter-century, demanding corporations be held to some basic moral standards of conduct. Their focus on global corporations enlists the energies of many student passions, from the environmentalists to pro-Tibetan activists. And unlike the antiwar movement in the 1960s that was confronted by "hard hats," the SAS is forging links between students and workers, and between the environment and worker rights.

As President Bill Clinton and anyone active in the 1960s understands, when students are aroused about a moral issue, they can change the direction of the country. Already, even pundits who disparage the demonstrators have begun to accept that worker rights and the environment, food and workplace safety can no longer be ignored in the global market.

But the students are making the larger connections. Last week, SAS activists gathered in Washington for the march against the World Bank and IMF, arguing that their "structural adjustment programs," in the words of Erica Hiegelke, Smith College freshman, "press governments to attract Western investment by denying workers fundamental, internationally recognized rights."

These are not Neanderthal protectionists, nor bored kids looking for something to do. This student movement is internationalist, passionate and on the rise. And it is raising questions that might well mark the end of the conservative era of the last quarter-century. *

GRAPHIC: PHOTO: A protester sat in front of Washington police last week.

PHOTOGRAPHER: CAROLYNE COLE / Los Angeles Times

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THE ORLANDO SENTINEL

April 23, 2000 Sunday, METRO

SECTION: INSIGHT; Pg. G1

LENGTH: 1034 words

HEADLINE: TAIPEI ISN'T ONLY PROBLEM FACING BEIJING;

BYLINE: John Pomfret, Washington Post

BODY:

BEIJING -- The Internet posting of an essay by one of China's most prominent academics, calling for political reform, has prompted the Chinese government to undertake an old-fashioned purge of officials believed to support Western liberal values and privatization.

This campaign, which has so far resulted in the dismissal of four top academics from the Chinese Academy of Social Sciences, is just one sign of the political turmoil in China these days.

A sign of the accompanying economic upheaval was the recent incident in the northeastern Chinese mining town of Yangjiazhangzi, where more than 20,000 workers and their families battled with police and soldiers for three days recently, spotlighting the tensions the nation faces moving toward capitalism.

In political terms, the recent crackdown on academics looks like a throwback to the political struggles of several decades ago. Two attacks have been published against the officials, accusing them, without naming them, of "Westernization" and failure to follow Marxist tenets.

One of the attacks was a speech given April 2 by President Jiang Zemin and subsequently published in the People's Daily newspaper. The second was an editorial on April 3 in the Guangming Daily, which played a key role in the political campaigns of the cultural revolution 30 years ago, calling for study of Marxism as the basis for all "economic and other types of work."

The purge seems unusual in the China of 2000. Although authorities strike hard at any hint of political challenge -- insisting on control over even such organizations as churches or the Falun Gong spiritual movement -- the government itself has set in motion the social loosening and economic reform that targets of the current purge support.

But it is an indication of how threatened the Communist Party feels by the breathtaking changes that have occurred in China -- 60 percent of industrial production has moved outside state-owned firms. It is also an example of how Jiang is attempting to re-embrace Marxism as a way to avoid the political reform that many in China feel should be the next step toward modernization.

The recent campaign was kicked off after an essay by Li Shenzhi was posted

Orlando Sentinel Tribune, April 23, 2000

anonymously on a Chinese Web site in December. Li, who was the first victim of the purge, is the retired vice president of the Chinese Academy of Social Sciences, the president of the China Society for American Studies and one of China's leading intellectuals, who once worked for the late premier Chou En-lai.

Li's essay, "50 Years of Panic, Trials and Tribulations: Lonely Nighttime Thoughts on National Day," was a response to the triumphalism of China's Oct. 1 celebration of the 50th anniversary of the founding of the Communist state. In it, he opined that only North Korea would possibly be envious of the legions of goose-stepping soldiers and cherubic schoolchildren who filed through Tiananmen Square.

Li's essay appeared on the Internet in December and since then has been sent by e-mail to thousands of Chinese. It is believed that Li did not post it.

After Li's document appeared, Jiang responded by making a strong speech on Jan. 17, warning that Western powers were seeking to divide China. At Jiang's prompting, a decision was made to fire several liberal academics. Party investigators were told to justify the purge by labeling the group a "branch of opposition within the party," according to Chinese sources, who asked not to be identified for fear of reprisal.

In addition to Li, party investigators singled out Liu Junning, a professor at the academy's Political Science Research Institute, as a member of the "liberal political wing" of the group. Chinese sources said Liu was specifically criticized for meeting with Chinese dissidents during a trip to the United States last year. Officials within his research institute wrote reports about his "improper thoughts" to party authorities, sources said.

Two of China's most famous economists, Mao Yushi and Fan Gang, were branded as members of the "liberal economic wing" of the group and dismissed from the Chinese Academy of Social Sciences, as well. Mao and Fan, who now run consulting agencies, have called on China to speed up economic reforms.

Li and Mao are retired, but their dismissal from the academy bars them from publishing and teaching. For Fan and Liu, the sanctions also meant loss of their jobs at the academy.

In Yangjiazhangzi, this past February, miners were incensed at the loss of their jobs and alleged corruption among the officials who run this rugged region deep in China's rust belt, 250 miles northeast of Beijing.

They burned cars, barricaded streets, smashed windows and set oil drums afire in protests that were finally quelled by a detachment of soldiers from the People's Liberation Army, witnesses said.

The eruption in Yangjiazhangzi underscored the challenge facing the Chinese government as it attempts to shut bloated state-owned enterprises, leaving millions of laborers out of work. This challenge will become all the more critical as China prepares to enter the World Trade Organization, a move that will intensify competition as its markets open further to foreign companies.

To some Chinese, the campaign against the academics and the rioting are signs of what they say is an approaching crisis facing the Communist Party, a signal

of its inability to change with the times.

"It gives an air of the end of a dynasty," said one prominent intellectual, who asked not to be identified for fear of government reprisal. "We have so many problems -- corruption, strikes, farmer's unrest, education problems, infrastructure issues -- and the party is worried about the Western thinking?"

To others, it is an incongruous exercise that has so little to do with what is happening on China's streets as to almost be laughable. While Jiang inveighed against "Westernization," they point out, it is fast occurring in cities and towns all over China. Divorce rates are skyrocketing; pirated Hollywood movies are for sale on street corners in Beijing, Shanghai, Guangzhou and Chengdu; bright children dream of studying in the United States, Canada, Australia or Europe.

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April 23, 2000, Sunday, Final Edition

SECTION: A SECTION; Pg. A01

LENGTH: 1859 words

HEADLINE: On China Bill, A Different Sort Of Trade Gap; Opposition in Congress
Leaves Exporters Puzzled

BYLINE: Matthew Vita , Washington Post Staff Writer

DATELINE: DENVER

BODY:

Skip Rapp has a dream. In it, millions of middle-class Chinese with money to burn are swooshing down the country's "world class" mountains--and all of them are wearing his company's high-end ski apparel.

"Are we talking 20 years? Thirty years? I don't know," said Rapp, owner of Boulder-based Hard Corps Sports. "But look at South Korea. You wouldn't think of Koreans and skiing, but it's become real popular there, and China's mountains are better. In the long term, there's just an enormous market in China for goods of all kinds, including presumably ours."

Rapp is not alone among business people in Colorado with visions of uncovering a pot of gold in China. The Colorado International Trade Office says 310 Colorado-based companies are exporting to China today, and the number is growing.

Yet, five weeks before a landmark House vote on a proposal aimed at opening up China's vast markets, only one of Colorado's six representatives firmly backs the idea. Four will likely end up opposing the legislation, which would add China to the list of countries with which the United States has permanent normal trading relations.

Outside of a few liberal pockets, Colorado is a conservative, largely Republican state with a growing, internationally minded high-tech business community and historically weak labor unions that have not made the China issue a top priority. That Colorado's representatives are almost uniformly opposed to extending trade privileges to China illustrates what some Colorado business leaders feel is a growing gap between corporate America, which has put expanding economic ties with Beijing at the top of its agenda, and a significant segment of Congress over trade in an era of globalization.

Some officials here say corporations have not done a good enough job explaining the case for expanded trade with China, making next month's vote

closer than it has to be. And many members of Congress have concerns about China's labor, human rights and environmental records, as well as its hostility toward Taiwan, its foreign arms sales and its alleged espionage in the United States.

But even business leaders who acknowledge these concerns as genuine feel that many in Congress have lost their bearings in the emerging global economy. They argue that as a result of the communications and technological revolution, commercial engagement--not Cold War-style containment--is the only productive foreign and economic policy to have with the world's most populous nation.

"I'm abhorred by [China's human rights behavior] as much as anybody else," said David E. Weiss, the president of Storage Technology Corp., which is marketing its computer storage systems in China. But he added: "The mentality of most of our congressmen is stuck somewhere in the smokestack era. They don't realize what the technological revolution has brought to us."

Michael Sheppard, vice president of Asia Pacific and Japan for J.D. Edwards, a management software firm, put it another way. "The politicians of this state lag the economic development of the state. They understand the population which elected them, but not the changing business environment."

Many business people here say they share many of the concerns that critics of the trade bill have about China's behavior--but argue that the best way to change Chinese behavior is to bring them into the world economic system. "There is no way to isolate China," Weiss said. "So the opportunity is to work with them and to try to influence their behavior through cooperation and through exposing them to different ways of doing business."

While supporters believe the House will eventually approve the China trade bill, a majority of Democrats and a significant minority of Republicans plan to vote against the proposal. Their opposition is especially noteworthy in an election year in which both parties are aggressively courting the business community for support and donations.

It is an apparent contradiction that was epitomized by House Minority Leader Richard A. Gephardt's decision last week to come out publicly against the proposal. The Missouri Democrat's announcement came just two weeks after he delivered a major policy address in which he called Democrats the party of high technology and urged more business support for the Democratic cause.

The opposition of as many as three of Colorado's four House Republicans is equally ironic, according to business leaders and academics in the state. "This should be a slam-dunk. This is a Republican state. So what's the problem?" said Don Stevens, a professor of international business at the University of Colorado's Denver campus who has led several business delegations to China.

The problem, said Rep. Diana DeGette (D-Colo.), who has not decided how she will vote, is that "we still have deep concerns about issues like China's human rights violations, environmental issues, international labor issues, [and addressing the needs] of our domestic workers."

Though winning support on trade issues within the Republican Party has grown more difficult, the real battle is on the Democratic side. Over the last decade, President Clinton's efforts to reorient the Democrats as the party of free trade

The Washington Post, April 23, 2000

have touched off a succession of battles in Congress, beginning with the North American Free Trade Agreement in 1993. These fights continued with the annual renewal of China's "most favored nation" trade status, the 1994 General Agreement on Tariffs and Trade, or GATT, and the 1997-98 rejection of an expansion of the president's "fast track" authority to conclude trade deals.

This year, the Clinton administration is asking Congress to surrender its annual review and grant China permanent normal trade ties, the kind of ties the United States has with all but a few rogue states such as Iraq, North Korea and Libya.

For business, the plan would eliminate the uncertainty that surrounds the annual review. But it would do something else as well: As part of China's accession to the World Trade Organization, the GATT successor that enforces the rules of global commerce, the administration last November signed a deal with Beijing under which the Chinese agreed to eliminate trade barriers and increase access for U.S. exports. But U.S. business cannot take advantage of the concessions unless Congress extends normal trading rights to China, according to the administration.

The stakes for U.S. business are enormous. China has pledged to make significant cuts in tariffs on agricultural and industrial products. It will eliminate tariffs on high-technology items such as computers, telecommunications equipment and semiconductors. China also has agreed to phase out quotas on autos and for service industries such as banking, insurance, telecommunications, motion pictures and video.

With a global outlook epitomized by Denver's new international airport, a burgeoning telecommunications and high-technology sector, and established beef and agricultural industries, state officials believe Colorado is well-positioned to capitalize on China's opening to the world. The state still has warm memories of Chinese Premier Zhu Rongji's visit a year ago this month in which he donned a cowboy hat, toured the Denver Broncos training facility, and was welcomed with open arms by Gov. Bill Owens, a pro-trade Republican, and Mayor Wellington Webb, a pro-trade Democrat.

China now ranks fourth in the list of destinations for the state's exports, trailing only Canada, Japan and Germany. Last year, Colorado manufacturers sent \$ 393 million in goods to China and Hong Kong, a 25 percent increase over three years ago; state agricultural exports totaled \$ 28 million.

Support for the China trade bill is strong in the Senate, and Colorado's two senators, Republicans Ben Nighthorse Campbell and Wayne Allard, back permanent normal trade relations. On the House side, Republican Rep. Scott McInnis also plans to support the trade bill because he believes it will benefit the farmers and ranchers of his western Colorado district.

But Republican Reps. Joel Hefley and Tom Tancredo oppose the measure, aides said, citing China's threats to Taiwan, its arms sales and its alleged espionage in the United States. Republican Robert W. Schaffer is leaning toward voting no for the same reasons. Democrat Mark Udall, who spent time in Tibet as director of the state's Outward Bound program, probably will cite China's repression in Tibet as his reason for opposing the bill.

DeGette is seeking to straddle the competing demands of her traditionally

The Washington Post, April 23, 2000

working-class Denver constituency and the city's expanding high-tech business community, and she devoted two days here this month to meeting with representatives of both.

DeGette occupies the safest Democratic House seat in the state and faces no meaningful opposition this November; she has also racked up a liberal, pro-labor voting record since first winning election in 1996. But as a member of the Commerce Committee, she has voted in favor of renewing China's trade preferences on an annual basis for the past three years.

Although she has received strong organized labor support, DeGette drew the fire of the AFL-CIO last month when it broadcast 10 days of advertisements here asking workers to call her office and urge her to vote against permanent trade ties for Beijing. The ads, which were coordinated by the labor federation's national office in Washington, stung DeGette and surprised local labor leaders.

Even as she sympathizes with some of labor's concerns, DeGette agrees with some business critics who charge Congress is out of step with the new economy. "Many of my colleagues [on the Commerce Committee] don't even know how to turn on the computer," she said. "How can you be talking about issues like Internet taxation or encryption when you've got policymakers who don't even understand how this concept works?"

The AFL-CIO's decision to target DeGette on the China trade bill prompted the American Electronics Association to invite her to a meeting this month with about a dozen high-tech business representatives. Amy Redfern, director of the association's Rocky Mountain chapter, acknowledged that business efforts to connect with members of Congress on the legislation were weak, at least initially, and said this had made passage more difficult than it needed to be.

According to former Democratic governor Richard Lamm, however, differences between a significant segment of Congress and the business community over trade issues are likely to continue in this era of rapid technological advancement. "Like Napoleon's generals, government is fighting the last war, talking about the markets that were," Lamm said. "It's not responding to the new world that business is fast creating."

EXPORTS TO CHINA

Colorado's manufactured exports to China are growing while the state's agricultural exports are down from 1997.

Colorado's exports to China (In millions, including Hong Kong)

Manufactured: \$ 293.4--\$ 393.1

Agricultural: \$ 42.2--\$ 27.7

The Washington Post, April 23, 2000

SOURCE: Colorado International Trade Office

GRAPHIC: IG,,TWP

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April 21, 2000, Friday, Late Edition - Final

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

LENGTH: 1214 words

HEADLINE: In Illinois, China Trade Bill Pulls Congressman 2 Ways

BYLINE: By ERIC SCHMITT

DATELINE: EFFINGHAM, Ill., April 18

BODY:

Representative David Phelps, a freshman Illinois Democrat, is an obscure backbencher with a safe seat here in farm country. But he finds himself at the center of a storm over landmark legislation to normalize trade relations with China.

As one of about 40 undecided House Democrats who will probably control the bill's fate next month, Mr. Phelps is being pulled in opposite directions by the diverse constituency in his sprawling district.

Corn and soybean farmers hit hard by plunging prices, as well as international agribusiness giants like Caterpillar and Archer Daniels Midland, are urging him to vote yes to help open rich new Chinese markets to American goods.

But longtime labor allies who work in the district's factories are lobbying hard against the deal, an important step in China's expected entry into the World Trade Organization, saying it would cost hundreds of union jobs here in southern Illinois and reward a repressive Communist government that has cheated on other trade pacts.

"I've tried to do my homework, but it's just not that easy," Mr. Phelps told a group of labor, farm and business leaders here. "Human rights and environmental concerns are at the top of my list, but I don't want to look back on my first term and feel I hurt the country's prosperity."

Mr. Phelps's silence on how he will vote has catapulted him into a limelight he has not enjoyed since his days as a professional gospel singer and writer of tunes that the Oak Ridge Boys recorded.

During the last several weeks, labor and business have come calling to Washington and to his seven offices in a district that is one of the largest east of the Mississippi River, stretching more than 200 miles, from the blue-collar city of Decatur in the north to the oil and coal fields of the

The New York Times, April 21, 2000

south, hard by the Kentucky border.

Teamsters, steelworkers, boilermakers and Chinese human rights advocates have trooped in. ("It seems like there have been hundreds of them," he sighed.) Mr. Phelps paid a two-hour visit to the White House to hear President Clinton's pitch for the deal. On Monday, Mr. Phelps and other lawmakers will join Agriculture Secretary Dan Glickman on a visit to China to get a firsthand look. It will be his first trip outside the United States.

"He's got a district that's really tough to balance," said Commerce Secretary William Daley, Mr. Clinton's point man on the measure, who recently dropped by Mr. Phelps's Washington office to talk trade. "It's a microcosm of some of difficulties of trade in the new world economy."

Mr. Phelps, a conservative 52-year-old former Illinois state legislator who opposes abortion and gun control, has been careful not to tip his hand, even to political friends.

"He's clearly agonizing over this decision," said Margaret Blackshere, president of the Illinois A.F.L.-C.I.O., who met with Mr. Phelps last week and considers him a stalwart union supporter worthy of his 89 percent record of voting with labor last year.

Mr. Phelps is not the only wavering Democrat under political siege at home.

With the House in a two-week recess and members back in their districts for the last long period before the crucial vote, supporters on both sides are waging an all-out grass-roots war on the airwaves and in rallies and town meetings to pull the fence-sitters their way.

The Business Roundtable, a major business group, has opened a \$4 million national television, radio and print advertising campaign, centered on 50 Congressional districts, including those of Mr. Phelps and other undecided House Democrats like Max Sandlin of Texas, Bud Cramer of Alabama and Tom Allen of Maine.

The group has also developed ads promoting the benefits to American agriculture, business and high-tech companies, as well as to national security. "This recess is absolutely critical for solidifying a number of members and putting us over the top," said Johanna Schneider, a spokeswoman for the Business Roundtable.

At the same time, the A.F.L.-C.I.O. on Tuesday will begin focusing on 14 wavering Democrats with its own ad blitz featuring footage of forced Chinese prison laborers and workers toiling in sweatshops. A coalition of labor, environmental and human rights groups is also staging rallies and conducting bus tours through Texas, Florida and the Northeast.

The arithmetic of the vote explains why suddenly everyone cares what Mr. Phelps thinks about China. About 150 Republicans are expected to favor the measure when it comes up for a vote the week of May 22, leaving Democratic supporters to scrape up the rest to reach the 218 needed for passage. Both sides say the outcome is too close to call. Senate approval is considered certain.

The New York Times, April 21, 2000

The problem for Mr. Phelps and his uncommitted colleagues is whether to surrender Congress's annual review of China's trade status, and its leverage over Beijing's behavior on human rights and worker standards, and give China the same trading privileges the United States grants virtually every other nation.

The decision this week by the House Democratic leader, Richard A. Gephardt, to vote against the measure weighed heavily on Mr. Phelps. "I won't deny that it has an influence on me, coming from someone of his stature who hopefully will be my next speaker," he said.

At the meeting of labor and farm leaders that Mr. Phelps arranged here, 210 miles south of Chicago, he got an earful from both camps, which sparred from opposite sides of a rectangular table in the town board room.

Opponents assailed China's human rights records and Beijing's dubious record on previous pacts on matters ranging from textiles to intellectual property. Many said they still felt betrayed by the North American Free Trade Agreement of 1993, another trade accord the administration championed.

"Everyone watched on TV when China massacred its own students," said Mike Shampine, president of the Decatur Trades and Labor Council, a group of 44 trade unions, referring to the crackdown on pro-democracy demonstrations in Tiananmen Square in 1989. "China has violated every agreement it ever had with us."

Supporters listed the economic benefits of passage: Tariffs on beef would drop to 12 percent from 45 percent; on poultry, to 10 percent from 20 percent. Hog farmers said pork demand would increase by \$3 million a year.

And they also answered the human rights criticism. "We're all horrified by what happened at Tiananmen Square," said Julie Moore, president of the Chamber of Commerce for Decatur and Macon County. "But we have a better chance of helping the Chinese people if we are there."

Passionate personal pleas spilled from speakers. Olin Clayton, 49, a steelworker from Raymond, Ill., recounted that glass and rubber factories where he once worked had closed, the jobs shipped off-shore. "We're not building a better future here," Mr. Clayton said. "We're not living the American dream."

But Harry Fehrenbacher, 52, a fifth-generation hog farmer from Newton, Ill., said that without the bill's passage and expanded trade with China, small family farms like his could fall victim to the harsh economic realities of globalization.

"It'll be a slow death," Mr. Fehrenbacher said. "Nothing will happen tomorrow. But there won't be enough to survive on."

<http://www.nytimes.com>

GRAPHIC: Photo: Representative David Phelps, freshman Democrat of Illinois. (Chet Piotrowski Jr. for The New York Times) (pg. A6)

Chart: "The 19th District In Illinois"

Chart shows the demographics for Illinois.

(Source: The Almanac of American Politics 2000) (pg. A6)

The New York Times, April 21, 2000

Map of Illinois highlighting the 19th District In Illinois (pg.A6)

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April 20, 2000, Thursday

SECTION: OPINION; COLUMN; Pg. 13

LENGTH: 736 words

HEADLINE: The case for China in WTO

BYLINE: Murray Weidenbaun

DATELINE: ST. LOUIS

BODY:

There is a compelling case for supporting China's entry into the World Trade Organization and the United States granting China a permanent normal trading relationship (the latter used to be called "most favored nation," a legalistic but misleading term).

That case is made, not because of any desire to placate the Chinese authorities, but simply to promote the long-term interests of the US.

Are there aspects of China's policies and activities - for example, its poor treatment of minorities and religions - that Americans find distasteful, or worse? Of course. However, if we had applied that standard at the outset, the membership of the WTO might have been small enough to fit into the proverbial phone booth.

More important, if we had applied that high standard to our foreign policy choices generally, would this world be a better place? Hardly. It is futile to adopt a counsel of perfection, especially to do so selectively.

From a very pragmatic viewpoint, China is a far more closed economy than is the US. If China joins the WTO, it has agreed to dismantle or substantially reduce a great many of its trade barriers. Such a benign action would benefit the US very substantially. We would not reciprocate because we have long since eliminated most of those barriers - and it is extremely unlikely that China would do so on its own without the prod of WTO membership.

Most fundamentally, there is no direct basis for confrontation between China and the US. We do not share a common border, nor do we hold competing claims for territory.

On the positive side, China has been relaxing the rules governing everyday life for its citizens. A substantial decentralization of power has taken place and greater latitude has been provided to private enterprise.

The impacts of Western culture and commerce have been pervasive, especially in

the larger cities. Although we rarely think about it that way, American companies doing business in China serve to advance our human rights goals. They create safer workplaces, follow more-progressive personnel practices, raise living standards, and bring in new ideas, attitudes, and ways of thinking.

China's long-standing isolation is ending. Its senior officials say they want to be a full participant in the world economy. They acknowledge that this requires China to move to a market economy and to modernize its society.

From the viewpoint of our own national security, the US has a major stake in China's success in its effort to move out of its isolationist setting.

It is to our benefit, as a key Pacific power, to encourage the rise of a China that regularly interacts with and is at peace with its neighbors. In the broadest sense, China and the US are complementary in terms of their basic economic needs and resources.

We are China's leading export market as well as the most logical partner to help upgrade its technology through investment and joint venturing. In turn, China is the most promising new market for American business and agriculture.

In the important area of higher education, US colleges and universities are a popular place for wealthier Chinese to send their children, especially for graduate education.

This has the added potential of generating long-term personal and intellectual bridges between the two nations.

We can hope that these links will encourage China to continue opening up its economy and achieving more of the freedoms to which the citizens of other advanced societies have grown accustomed.

While private organizations emphasizing single issues are free to take absolutist positions, it is foolish for governments to do so.

Our government must balance concern for human rights against other important interests that also have significant moral aspects - such as peace, national security, and the prosperity of our citizens.

Judging strictly from the viewpoint of American interests, the likelihood is that China will be a more responsible world citizen operating day to day on the inside rather than on the outside of the community of nations.

But there are no firm assurances in such matters.

*Murray Weidenbaum is chairman of the Center for the Study of American Business at Washington University in St. Louis.

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April 19, 2000, Wednesday London Edition 1

SECTION: WORLD NEWS: THE AMERICAS; Pg. 11

LENGTH: 629 words

HEADLINE: WORLD NEWS: THE AMERICAS: Loyalties lift White House hopes: Democrat House leader Dick Gephardt's passive stance may tip the balance, writes Deborah McGregor

BYLINE: By DEBORAH MCGREGOR

BODY:

The White House is predicting a victory on legislation to grant China new trade status, despite the opposition of Dick Gephardt, the Democratic House leader.

Mr Gephardt is expected today to announce his opposition in a speech in his home state of Missouri after months of conspicuous silence.

The influential Democrat, who has a long record of opposing free trade initiatives, recently informed President Bill Clinton he would vote against the China initiative.

But, in a move that China supporters hailed as positive, Mr Gephardt is expected to free his Democratic House troops to vote according to their own consciences and the political imperatives of their districts.

Such a stance marks a contrast to his aggressive opposition to past trade-liberalising moves. In 1993, he strenuously opposed the North American Free Trade Agreement, although it eventually passed Congress. He also fought hard against later attempts by the administration to secure congressional backing for fast-track trading authority, helping to defeat Mr Clinton's bid.

Arguing that trade bills have typically not done enough to protect American jobs, Mr Gephardt has long been a careful guardian of labour's interests. On China this year, he opted for a low-key approach, but his opposition to granting Beijing permanent normal trade relations (PNTR) comes as little surprise to those who have observed his legislative actions over the years.

"We fully expected Gephardt to come out against (the China bill)," said a senior administration official. "But the fact that he will not inject himself actively into the fight is very useful."

Mr Gephardt's decision to fly below the political radar screen to date is also borne of his determined campaign to return Democrats to the majority party in the House. Democrats view the House as tantalisingly within reach, with Republicans enjoying the slimmest margin since Newt Gingrich's band of Republican revolutionaries seized control in 1994.

Financial Times (London) April 19, 2000, Wednesday

To that end, Mr Gephardt has walked a political tightrope, trying to court business support without alienating Democrats' traditional labour union base.

In recent months, he has spent his time prodigiously raising funds, drawing an unprecedented degree of financial support from the business community - including from executives in the high-technology industry, where the China agreement is highly popular.

Still, when it comes to China, there is little doubt about his core views. Every year, without fail, Mr Gephardt has voiced passionate concerns about China's human rights, labour and environmental record. Last month, he proposed setting up an "alternative procedure" to the current annual review of China's trade status as a means of influencing Beijing's behaviour. He said he wanted to find a way "to better ensure that China lives up to all of the trade obligations". And he suggested that penalties, including sanctions that are "consistent with the World Trade Organisation" might be necessary to ensure China's compliance with last year's US-China agreement.

The congressional vote on granting PNTR will determine if American businesses reap the benefits of that market-opening agreement, as China prepares for WTO accession. A group of pro-free-trade House Democrats who do not share Mr Gephardt's views believe they will ultimately have enough votes to help push the bill through. Republicans, whose leaders are strongly in favour of the China initiative, have become increasingly confident that the momentum in their ranks is growing in favour of the bill.

Still, no one is expecting an easy ride leading up to the House vote, which is due in the week of May 22.

Passage in the Senate, where a vote is expected in early June, is not considered a problem.

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