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Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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001. bill	Water / sewer bill (5 pages)	04/28/2000	Personal Misfile
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COLLECTION:

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

FOLDER TITLE:

China [Folder 2] [8]

2008-0702-F

jm199

RESTRICTION CODES

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

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

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

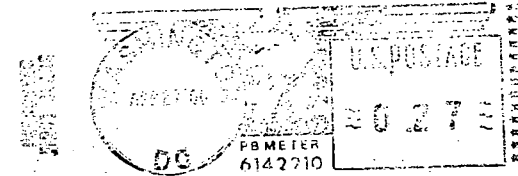


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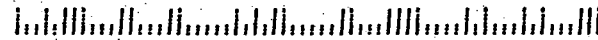


D/S 433 PRST FCM SUB MD 202 4/28/00

"SERVING THE PUBLIC • PROTECTING THE ENVIRONMENT"

more rehred
45 mins ->
think about how
put together -

AUMB



→ Little

→ 40% change is good

→ 60% argument in last few pages

→ "Strategic argument"

→ Make the

(1) my draft edited

(2) Ken's stuff - more follow

→ not developed

→ put 2 together doesn't seem like a career

→ see how we cut it back

- undid Ken's stuff

- points made more richly

- will accelerate change, knowledge is power,

→ all of that - but beyond that, this is a national security issue → flip into that with

negative → reduce it in 1st part

- how allies will be affected - much richer point, more nuanced point

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4/28/00 3:00 p.m.

Orzulak

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

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

Back in 1992, students graduated into a world where many people wondered, as Time Magazine put it, whether the United States was "in irreversible decline as the world's premier power." Today, by any measure, America is the world's predominant power. Our military strength is unchallenged. Our alliances are strong. Our values of democracy and economic freedom are ascendant. And our economy is arguably in the best shape it has ever been.

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

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

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

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

To call this just another trade agreement is like calling the Yankees just another baseball team. As the President has said, this is one of the most important decisions that America will make in years. In the same way that the Bretton Woods Agreement helped provide the framework for stability in the post-World War II world; I believe that our support for China's entry into the WTO will help lay the foundation for a stable and prosperous world in the 21st Century.

It is rare to achieve victory in a negotiation without giving up something in return. Usually, when I explain an agreement we have struck on one issue or another, I have to argue that the benefits we gain far outweigh the concessions we make. But this time, I don't have to do that. Economically, this agreement is the closest thing you will ever see to a one-way street.

This agreement requires China to open its markets in unprecedented new ways to our products and services. Chinese tariffs, from telecommunications to automobiles to agriculture, will fall by half or more over the next five years. For the first time, our companies will be able to sell and

distribute products in China made by workers here in America, without being forced to relocate manufacturing to China, sell through the Chinese government, or transfer valuable technology. It means that we'll be able to export products without exporting jobs. Meanwhile, we'll also get valuable new safeguards against any surges of imports from China.

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

We have spent the past 14 years negotiating an agreement in which we convinced China to open its markets in unprecedented new ways. If Congress passes PNTR, we reap its rewards. If Congress votes no, we hand all its benefits on a silver platter – along with the exports they generate and the jobs they create --to our competitors in Europe, Japan, and elsewhere.

By the year 2005, our competitors will pay 14 percent tariffs on agricultural products. We will pay an average of 31 percent. On industrial products, they will pay 9 percent. We'll pay 25 percent. On information technology, they'll pay nothing. We'll pay 13 percent. On automobiles, they'll pay about 25 percent. We'll pay 100 percent. And if China decides to flood our market with below-cost products, we will have no recourse beyond what we have now. The worst part is, this will be a self-inflicted wound.

Some say that voting "no" on PNTR is simply a vote for the status quo. But I disagree: it's worse than the status quo. We will be giving our competitors an advantage in what is potentially the world's largest market, while essentially pricing American businesses and American workers out of the market.

Others say that's okay – we should just wait a while. Depending on how China behaves, we can approve PNTR in three or four years. But in today's economy, you can't wait that long to seize an opportunity. Where do you think Gateway Computers or Amazon.com would be today if they decided to sit out the last four years? The global economy hates a vacuum. If we're not going to be competitive, somebody else will be more than happy to fill the void.

It's ironic: People who oppose this treaty have been called protectionists. But if you really think about it, even on protectionist grounds, there is no rational argument against it. Protectionists believe we should keep tariffs and barriers high to protect our industries from foreign imports. But under this agreement, our tariffs won't change one bit. If we reject PNTR, the only thing we'll be protecting is China and its state-run economy – protecting it from the products and ideas of American industry and American workers, from globalization and the change it brings.

The fundamental question in this debate is not what economic impact will China's WTO membership have on America, for in economic terms, we win, without question. The real question is what impact will this have on China? I strongly believe that if China joins the WTO and we approve PNTR, China will be more likely to emerge as a more open, stable, prosperous cooperative nation that plays by the rules of the international system. If we reject PNTR, we will undermine that goal, with potentially threatening consequences to our national security.

For years, the debate over America's China policy has come down to a debate between the carrot and the stick. Should we promote change within China and in its international behavior by offering it the benefits of partnership and trade? Or should we compel change by withholding benefits and imposing sanctions?

But the debate about PNTR is not a debate between the carrot and the stick. Voting yes does not confer any special benefits on China; voting no is not a sanction. The question before us is

whether change in China is more likely to come from the outside-in or the inside-out? Clearly, pressure from the outside in, even symbolic pressure, must continue. But I believe that it is far more effective to encourage and empower the forces already rising within China – among its people and many of its leaders – who want their country to be part of the global community. Bringing China into the WTO and voting yes on PNTR has the potential to do just that.

To understand why, it's important to understand why China is willing to do what it has undertaken to perform in this agreement. Over the last 20 years, China has made great progress in building a new economy, lifting more than 200 million people out of abject poverty. Nationwide, China has seen the emergence of more than a million nonprofit and social organizations, and a 2,500 percent explosion of print and broadcast media.

But its economy still is not creating jobs fast enough to meet the needs of the people. Only a third of the economy is private enterprise. Nearly 60 percent of all investment and 80 percent of all business lending still goes to state-owned dinosaurs. Last year, only six Chinese companies, all of them state-owned, made it to the list of the Fortune 500 -- not because of their performance, but because of the sheer number of people they employ. Today, \$300 billion worth of products – an amount equal to one-third of China's gross domestic product – are so poorly made that they sit in China's warehouses. Meanwhile, China's workforce is increasing by 12 million each year. At least 100 million people are looking for work. In urban areas alone, it's been estimated that China needs to create 18 million jobs per year just to keep up.

So China's leader's face a dilemma: they realize that if they open China's antiquated market to global competition, they risk unleashing forces beyond their control -- temporary unemployment, social unrest, and greater demands for freedom. But key figures in the leadership, including Premier Zhu and President Jiang have also concluded that without competition from the outside, China will not be able to build a modern, successful economy. By agreeing with us to join the

WTO, they have made a choice that could have profound consequences.

For starters, they have chosen to enmesh China in the world. They have chosen to build their economic future in cooperation with us. They have chosen to join a global institution that sets rules and expects its members to abide by them. In fact, for the first time, some of China's most important decisions will be subject to the review of an international body, with binding settlement procedures to resolve disputes.

Opponents say that none of this matters, because China will just break its promises -- as they have on past agreement on human rights and prison labor. But in real and important ways, China is starting to conform to international norms. It is a member in good standing of both the Biological Weapons Convention and the Chemical Weapons Convention. It has signed both the Nuclear Non-Proliferation Treaty and the Comprehensive Test Ban Treaty, and has lived up to those commitments. Under American pressure, it has started to curb military and nuclear sales to Iran and Pakistan. China has shown that it is far more likely to abide by international norms when it is operating within an international system.

And if China does not comply, we are still better off having it in the WTO, because then its actions will be subject to rules embraced and judgments enforced by 135 nations. And we're far more likely to find acceptable resolutions to differences of opinion in this context than if there was no system at all.

By joining the WTO, China has also chosen to slash the tariffs that protect its state-owned industries from competition from the private sector. Why is that important?

In the past, virtually every Chinese citizen woke up in an apartment or a house owned by the government, went to work in a factory or farm run by the government, and read newspapers

published by the government. State-run workplaces also operated the schools where they sent their children, the clinics where they received health care, and the stores where they bought food. That system was a big source of the Communist Party's power. Now, people are leaving those firms. And when China joins the WTO, they will leave them faster. It will speed a process that is removing government from vast areas of people's lives. In many ways, it will take the command and control out of communism in China.

What is happening to the workers and professionals set free by these changes?

Already, many of China's best and brightest are starting companies, or seeking jobs with foreign-owned companies, where they generally get higher pay, more respect, and a better working environment. Over time, that is the best way – in fact the only way – to improve respect for labor rights in China and to raise the wages of Chinese workers – as well as their expectations. Indeed, since 1979 – since China started opening its economy to the world – despite the challenges that remain, the standard of living of the average Chinese has increased nearly five fold.

At the same time, in many parts of China, economic reforms have led to temporary hardship – and the rise of conditions for labor and political activism. In cities and towns across the country, workers and farmers have staged protests and strikes to demand greater representation and accountability. Indeed, last year alone, there were more than 120,000 labor disputes across China. In some places, the government has responded by cracking down. In others, it has responded by giving people a greater say. Local elections are now held in the majority of the country's 900,000 villages, and they have been introduced in big cities as well. In some places, workers are taking grievances to court – where they are increasingly winning their cases.

When asked why, one party official said, "this is the beginning of a process. We realize that in order to improve social control we have got to let the masses have a say." Sooner or later, that

official is going to learn the lesson that so many others have learned the past ten years -- the genie of freedom will not go back in the bottle.

Interestingly, another country in SE Asia is considering open, but held back. Read you → Again, China has chosen to go ahead to do it.

Lastly, by signing this agreement, China has chosen to bring the information revolution to China.

In the past year, the number of Internet addresses in China has more than quadrupled from two million to nine million. This year, the number is expected to grow to over 20 million. When China joins the WTO, by 2005, it will eliminate tariffs on information technology products, making the tools of communication even cheaper, better, and more widely available.

Should we forgo our baby

Even as Beijing tries to crack down on the Internet, the four major Internet providers in China just announced that this year, they will pour more than \$1 billion into improving Internet connections and promoting e-commerce. And just last week, authorities gave approval for China's mobile service providers to offer wireless Internet access to more than 40 million mobile phone subscribers -- which is expected to grow to 100 million by the end of next year. [NOTE: Is this unclassified?] Wireless internet connections will make it even easier for ordinary Chinese to communicate and mobilize in ways their government cannot control.

The fact that China is trying to control Internet content proves just how real and threatening these changes are and how much they threaten the status quo. It's not an argument for slowing down the effort to bring China into the world, it's an argument for accelerating it.

In the end, China will learn what every other nation of the world is learning today: in the knowledge economy, you can't have economic innovation without political empowerment. Of course, bringing China into the WTO doesn't guarantee that it will choose political reform. But accelerating the process of economic change, it will force China to confront that choice sooner, and it will make the imperative for the right choice stronger.

Many people agree that bringing China into the WTO is a good thing, but say we can just pocket this progress and vote no on PNTR. They argue that we as a nation need the annual vote to address other concerns we have with China, particularly on human rights. We agree that change in China will only come through a combination of internal pressure and external validation of China's human rights struggle. We have to maintain our leadership in the latter, even as the WTO contributes to the former. That is why we sanctioned China under the International Religious Freedom Act last year. That's why the State Department issued such a tough report on China's human rights abuses a few months ago. And that's why, two weeks ago, we again sponsored a resolution in the UN Human Rights Commission condemning China's human rights record. The spotlight on China's human rights violations is bright, and we don't need the annual China trade vote to continue to shine it.

The truth is, Congress always has the right to address any part of our relationship with any nation, including China. And we all know that the annual vote has proven to be an ineffective vehicle for change. For 20 years in a row, even during those moments when our relationship was at its lowest point -- during Tiananmen Square or in the wake of China's threats on Taiwan in 1996 -- this vote has simply affirmed our trading relationship with China. [Can we say anything about alternative legislative mechanisms?]

At the same time, I am deeply concerned that preserving that symbolic vote by rejecting PNTR will have profoundly negative consequences for the security of America and the stability of Asia.

As I listen to this debate about China going on in our country, I remind people that the Chinese leaders and their people are engaged in a debate about us. And many of them believe that we honestly don't want their country to assume a respected place in the world. There are some in China today who look out at the world and say, "I don't know why we're pursuing this engagement policy with the United States. They bombed our embassy in Belgrade. They tried to

embarrass us on human rights in Geneva. Their President just visited India, which is our strategic adversary to the South. They just sold Taiwan hundreds of millions of dollars worth of arms, and a few months ago, their Congress voted to strengthen their military relationship with Taiwan.”

On top of all that, they look across the Taiwan Strait and see a thriving democracy where a pro-Independence candidate just won the Presidency. They look closer to home at a country where more than 100 million people are unemployed, where the Falun Gong movement is growing, where people are talking below the radar on the Internet. Many are deeply uncomfortable about changes their government is making in response to the pressures of global competition – the same hopeful changes I have described to you today. And yet, despite all of that, they have gone out on enormous limb to reach out to the world, to open their economy and take all the economic risks associated with it.

Now, imagine if we decide to slap that hand away and vote no. Because this is such a clear-cut economic winner for the United States, the Chinese government will not believe we rejected it for economic reasons. It will interpret rejection of PNTR as a strategic decision by the United States -- whether it is or not -- to pursue a policy of confrontation rather than cooperation, and to treat China as an adversary. It will confirm their worst suspicions that we want them to fail. It will make the Chinese far more likely to read hostile intent into every move we make. It will increase the likelihood of a chain reaction in which we find ourselves confronting and undercutting each other across Asia and across the world.

The next few months are already going to be a sensitive time. In May, Taiwan’s new President will take office. In June, President Clinton will be visiting Russia, and in July, the G-8 will be meeting in Okinawa, where we will almost certainly meet with the new Japanese Prime Minister and highlight the strength of our alliance with Japan. On top of all that, the President will make a decision this summer on the deployment of a national missile defense. At each of these

junctures, China's suspicions, whether we find them rational or not, are likely to be reinforced.

In this environment, I believe a no vote on PNTR would undercut the reform-minded leaders who signed this agreement with us, who have put their reputations and careers on the line for a policy of greater openness. I believe it would strengthen the hand of those who have always believed that cooperating with the United States is a mistake. It could give a leg-up in leadership struggles to hard liners who don't want their country to be part of the world; the same people willing to settle differences with Taiwan by force; the same people most threatened by our alliance with Japan and Korea; the same people who want to keep the Chinese military selling dangerous technologies around the world; the same people whose first instinct in the face of opposition is to throw people in prison. China will be more likely to respond to the pressures of globalization by hunkering down instead of opening up.

Would we be more secure five or ten years down the road with that kind of China? What kind of progress do you think we would make then on labor rights, environmental rights, and human rights?

A no vote on PNTR would also increase tensions between China and Taiwan and therefore the likelihood of a conflict that would draw the United States in. Since 1979, we have played a crucial role in maintaining stability across the Taiwan Straits by recognizing one China, encouraging a peaceful resolution of differences, and promoting dialogue. As a result, all three sides of the triangle – between China and Taiwan, China and the U.S. and Taiwan and the U.S. -- have been strengthened.

But now we have arrived at a moment of high danger between China and Taiwan. The election of President Chen has roiled Beijing. He is being inaugurated on May 20. Our vote on PNTR will come just a few days later. A no vote would intensify Beijing's suspicions about American

efforts to weaken China and promote Taiwanese independence. Its readiness to work with us on this issue would decrease, as would our ability to urge restraint. Because so much of Taiwan's investment in China is aimed at producing exports to the United States, a no vote would also weaken the economic ties that bind China and Taiwan, and thus decrease the cost to Beijing of cross-Strait conflict.

Taiwan's President-elect Chen strongly supports China's membership in the WTO, and is urging us to grant PNTR. He understands the importance of the stability that comes from good US-China relations and China's membership in the WTO. The people of Hong Kong also want us to approve PNTR, including the courageous leader of Hong Kong's Democratic Party, Martin Lee.

A no vote on PNTR would also undermine confidence in our leadership among our Asian allies. The one thing they do not want is a Cold War between the United States and China. If they believe we are moving in that direction, our allies in Japan, Korea, and Southeast Asia could well begin to reposition themselves to assume a more neutral posture -- and distance themselves to some degree from America -- so they don't get caught in the crossfire. As a result, our ability to advance our interests throughout Asia would diminish.

More broadly, I think a no vote on PNTR would send a penetrating signal -- particularly after the Senate's rejection last year of the Comprehensive Test Ban Treaty and the rejection of Fast Track the year before -- that America has turned inward; that at the moment of our greatest strength and influence, we chose to turn away from the world instead of leading it. Our capacity to lead on a broad range of issues -- from arms control to global poverty to AIDS -- would be severely compromised. That would be a tragic mistake.

Finally, a no vote on PNTR could make China itself a weaker country. This is a society at a crossroads that has made a decision to open itself economically with some recognition of the

risks involved. If that decision is rejected by the number one power in the world, what do you think that would mean for China's future development? If we have learned anything in the last few years from Japan's long recession and Russia's economic troubles, it is that the weaknesses of great nations can pose as big a challenge to America as their strength. The danger of a weak China beset by poverty, internal conflicts, social dislocation, criminal activity, loose nukes, and large-scale illegal emigration, is real, and the leaders of China know it. It is one reason many of them are trying to strengthen China's economy and society by opening it to the world. It is the reason why others fear dissent and fight change. As our President has said, "a tight grip is often the sign of a weak hand."

By embracing China's membership in the WTO and voting yes on PNTR, we have a chance to encourage the best possible outcome: a China with a leadership that finds strength in partnership with its people and the world. Voting against PNTR, on the other hand, won't free a single prisoner in China, or create a single job in America, or reassure a single American ally in Asia. It will simply empower the most rigid anti-democratic elements in the Chinese government. It would leave the Chinese people with less contact with the democratic world, and more resistance from their government to outside forces. And our friends and allies would wonder why, after 30 years of pushing China in the right direction, we turned our backs, now that it finally appears to be willing to take us up on it.

We know that the path China takes to the future is a choice only China can make. We cannot control that choice, we can only influence it. But we do have complete control over what we do. We can work to pull China in the right direction, or we can turn our backs and almost certainly push it in the wrong direction. Granting China PNTR won't create a perfect China, it won't put an end to all of our concerns. But it will increase the probability of a future of greater openness and freedom for China. It will lay the foundation for a more peaceful and secure Asia and the world. And for the Columbia class of 2000, it will help create a future of greater peace and

prosperity for the world you will inherit.

This is an historic opportunity. It's the right thing to do. And we're going to continue to do all we can to convince Congress and the American people to support it. Thank you.

Ken's "National Security" Text

I have reviewed the economic arguments about PNTR simply to remind you that they are compelling. Virtually everybody who has looked at this agreement seriously believes that it is in America's overall economic interests to bring it into full effect. Almost all members of congress who have concerns about PNTR believe this. It is fair to say that all Chinese do, too. And that is the rub.

Point 1 { Because the economic benefits are so clear, both the American and the Chinese sides view this not primarily as a trade vote, but rather as a vote on the entire future of the US-China relationship. Precisely because China will join the WTO this year regardless of the US vote on PNTR, because the WTO will move China in directions we have long advocated, and because PNTR will enable the American economy to reap the full benefits of this wide ranging agreement, to reject PNTR is to make a major statement about the potential for confrontation versus cooperation in future US-China relations.

As National Security Advisor to the President, I have to be gravely concerned about the implications of such a statement. For the PNTR issue has very serious national security implications.

{ You are all well aware that US-China relations have been far too volatile, whether during the past decade or the past year. Adopting PNTR should substantially reduce that volatility.

Granting PNTR will increase economic interdependence, giving more people on each side a solid stake in keeping our ties on an even keel. It will strengthen reformers in China, the people who want both to change how the domestic system operates and who recognize the enormous importance of good US-China ties to accomplishing their goals. It will increase our exports to

China far faster than our imports from the PRC, thus taking some of the animus out of our large current trade deficit with China. And over time it will improve China's economic performance, which will bolster the confidence of the Chinese leadership in ways that reduce their fears about political reform.

More than twenty years ago Vice President Walter Mondale, speaking at Peking University, declared that America's interests require a strong, modernizing, reform-minded, open China, a China that can meet its own huge challenges and have the confidence and incentives to maintain strong US-China relations. Vice President Mondale was right then, and the same argument is equally compelling now.

I have found over the past seven years that closer US-China relations affect a lot of issues. There are strong connections that we must recognize. Good US-China relations bolster reformers in China, and the reformers in turn want good US-China relations. When reform and opening are moving forward, China becomes more cooperative on such crucial issues as nonproliferation, regional security, peacekeeping, human rights, and arms control. These problems do not magically go away, but the record is clear that stabilizing US-China relations creates both the atmosphere and the trust necessary to deal cooperatively with bilateral, regional, and global issues of deep concern to us.

Granting PNTR is also good for Taiwan, and cross-Strait issues are now one of my main concerns as I think about peace and stability in Asia. Chen Shui-bian recognizes this reality and supports a favorable congressional vote. He knows that good US-China relations are vital for Taiwan's own security because deep Chinese suspicions of American motives lead Beijing's leaders to be too suspicious to dare to exhibit the flexibility required to reduce tensions across the Strait. Particularly at this sensitive time, Chen wants us to be sensitive to the need for cross-Strait ties to develop. Note that Chen Shui-bian's inauguration is on May 20th, and the House

vote on PNTR will take place during the following week.

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The benefits of an affirmative vote on PNTR for American national security interests are thus very substantial. Beyond providing the specific benefits I have just noted, an affirmative PNTR vote signifies that America sees our future with China as lying in wide ranging engagement that helps China meet its challenges, benefits the American economy, enhances mutual trust, and permits greater cooperation in addressing regional and global issues.

Until a decade ago, the Cold War provided the strategic rationale for US-China relations. A favorable vote on PNTR will have long term effects that significantly strengthen our view of the post Cold War international order, an era in which major power cooperation is core to our national security.

Unfortunately, we do not have the luxury of either reaping the benefits of a vote in favor of PNTR or simply maintaining the current *status quo*. We will have to either adopt PNTR with all its benefits or reject it and face all the costs of doing so. And in national security terms, those costs are a matter of grave concern.

Because Beijing cannot fathom an economic reason for our rejecting PNTR, it will see rejection

as proof that the United States has decided that its future relationship with the PRC will be confrontational. This can tip the scales in the debate that is taking place in China between those who want reform, openness, and cooperation with the US and those who want to tighten the internal clamps, invest more heavily in the military-industrial complex, and hunker down for the "inevitable" struggle with America bilaterally, regionally, and globally. The Chinese will be far more likely to read hostile intent in their view, a US desire ultimately to encircle, destabilize, and isolate China into every American move.

We have seen in China's reaction to our accidental bombing of the Chinese embassy in Belgrade a year ago that many harbor deep suspicions about American motives. When I personally learned that some Chinese believed that bombing was intentional, I was stunned. The fact that even a year later many still hold to that view must be taken into account as we judge China's concerns about American intentions. This perspective can fundamentally increase the chances of a chain reaction that can lead to future confrontation and conflict in all aspects of US-China relations.

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the Taiwan strait. Instead of viewing each of these arenas as an opportunity for strengthening US-China relations, the Chinese could see each as a potential ground for undercutting US initiatives. Both the Chinese and we would be poorer for this development.

But the national security costs may be far wider, subtler, and more serious than even these comments suggest.

First, through the engagement policies of four administrations, we have sought to help China meet its challenges in a way that enhances our mutual ties, strengthens our cooperation, raises the costs of potential confrontation, and reduces threat perceptions. A successful, basically cooperative China is very much in America's interest. This perspective takes into account what we will face if China falls far short of meeting the challenges that confront it.

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If the economy slows, environmental devastation deepens, social tensions rise, and the political system cannot cope, we can face larger scale illegal emigration, stronger transnational criminal syndicates, greater proliferation of nuclear and missile technology, and uncertainty in a region that straddles the heart of Asia from Japan to central Asia and from Russia to Vietnam. Our interests in China's governing itself well and meeting the requirements of its huge population are, in short, not merely abstract or humanitarian. They are concrete and wide ranging. Should this come out wrong, my successors will have to focus on massive problems that we should be able to avoid.

All other Asian countries, regardless of political and economic system, understand this fundamental reality. That is why, even though some will face markedly tougher economic competition from China once it obtains PNTR, every single one of them supports this measure.

Indeed, all Asian capitals regard US-China relations as critically important for the future stability,

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I have seen time and again that seemingly abstract elements such as confidence and trust play a profound role in international relations. Asian leaders could well regard American rejection of PNTR as a sign that America no longer recognizes the basic requirements of our role as a leader in Asia, and they will adjust accordingly.

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In a subtle way, America's capacity for global leadership will also be affected. Many may see our failure to adopt PNTR now as indicating that America is turning inward, not recognizing our role as a steward of the global economy. The resulting harm to our reputation and credibility can reduce our ability to elicit real-world cooperation. A growing perception of an increasingly unreliable, unilateral America would make it more difficult for us to gain support for our international initiatives more generally.

"National Security" Text

more of this
I have reviewed the economic arguments about PNTR simply to remind you that they are compelling. Virtually everybody who has looked at this agreement seriously believes that it is in America's overall economic interests to bring it into full effect. Almost all members of congress who have concerns about PNTR believe this. It is fair to say that all Chinese do, too. And that is the rub.

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Because the economic benefits are so clear, both the American and the Chinese sides view this not primarily as a trade vote, but rather as a vote on the entire future of the US-China relationship. Precisely because China will join the WTO this year regardless of the US vote on PNTR, because the WTO will move China in directions we have long advocated, and because PNTR will enable the American economy to reap the full benefits of this wide ranging agreement, to reject PNTR is to make a major statement about the potential for confrontation versus cooperation in future US-China relations.

As National Security Advisor to the President, I have to be gravely concerned about the implications of such a statement. For the PNTR issue has very serious national security implications.

You are all well aware that US-China relations have been far too volatile, whether during the past decade or the past year. Adopting PNTR should substantially reduce that volatility.

Granting PNTR will increase economic interdependence, giving more people on each side a solid stake in keeping our ties on an even keel. It will strengthen reformers in China, the people who want both to change how the domestic system operates and who recognize the enormous importance of good US-China ties to accomplishing their goals. It will increase our exports to China far faster than our imports from the PRC, thus taking some of the animus out of our large current trade deficit with China. And over time it will improve China's economic performance, which will bolster the confidence of the Chinese leadership in ways that reduce their fears about political reform.

More than twenty years ago Vice President Walter Mondale, speaking at Peking University, declared that America's interests require a strong, modernizing, reform-minded, open China, a China that can meet its own huge challenges and have the confidence and incentives to maintain strong US-China relations. Vice President Mondale was right then, and the same argument is equally compelling now.

I have found over the past seven years that closer US-China relations affect a lot of issues. There are strong connections that we must recognize. Good US-China relations bolster reformers in China, and the reformers in turn want good US-China relations. When reform and opening are moving forward, China becomes more cooperative on such crucial issues as nonproliferation, regional security, peacekeeping, human rights, and arms control. These problems do not magically go away, but the record is clear that stabilizing US-China relations creates both the

atmosphere and the trust necessary to deal cooperatively with bilateral, regional, and global issues of deep concern to us.

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4/28/00 3:00 p.m.

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

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

Back in 1992, students graduated into a world where many people wondered, as Time Magazine put it, whether the United States was "in irreversible decline as the world's premier power." Today, by any measure, America is the world's predominant power. Our military strength is unchallenged. Our alliances are strong. Our values of democracy and economic freedom are ascendant. And our economy is arguably in the best shape it has ever been.

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

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

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

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

To call this just another trade agreement is like calling the Yankees just another baseball team. As the President has said, this is one of the most important decisions that America will make in years. In the same way that the Bretton Woods Agreement helped provide the framework for stability in the post-World War II world; I believe that our support for China's entry into the WTO will help lay the foundation for a stable and prosperous world in the 21st Century.

It is rare to achieve victory in a negotiation without giving up something in return. Usually, when I explain an agreement we have struck on one issue or another, I have to argue that the benefits we gain far outweigh the concessions we make. But this time, I don't have to do that. Economically, this agreement is the closest thing you will ever see to a one-way street.

This agreement requires China to open its markets in unprecedented new ways to our products and services. Chinese tariffs, from telecommunications to automobiles to agriculture, will fall by half or more over the next five years. For the first time, our companies will be able to sell and

distribute products in China made by workers here in America, without being forced to relocate manufacturing to China, sell through the Chinese government, or transfer valuable technology. It means that we'll be able to export products without exporting jobs. Meanwhile, we'll also get valuable new safeguards against any surges of imports from China.

In return, all we agree to do is to maintain the market access that we already offer to China.

That's it. We do not change our tariffs one bit. We do not give China new access to our markets. And we do not in any way, shape, or form make it easier for China to sell products in America.

We have spent the past 14 years negotiating an agreement in which we convinced China to open its markets in unprecedented new ways. If Congress passes PNTR, we reap its rewards. If Congress votes no, we hand all its benefits on a silver platter -- along with the exports they generate and the jobs they create -- to our competitors in Europe, Japan, and elsewhere.

By the year 2005, our competitors will pay 14 percent tariffs on agricultural products. We will pay an average of 31 percent. On industrial products, they will pay 9 percent. We'll pay 25 percent. On information technology, they'll pay nothing. We'll pay 13 percent. On automobiles, they'll pay about 25 percent. We'll pay 100 percent. And if China decides to flood our market with below-cost products, we will have no recourse beyond what we have now. The worst part is, this will be a self-inflicted wound.

Some say that voting "no" on PNTR is simply a vote for the status quo. But I disagree: it's worse than the status quo. We will be giving our competitors an advantage in what is potentially the world's largest market, while essentially pricing American businesses and American workers out of the market.

Others say that's okay – we should just wait a while. Depending on how China behaves, we can approve PNTR in three or four years. But in today's economy, you can't wait that long to seize an opportunity. Where do you think Gateway Computers or Amazon.com would be today if they decided to sit out the last four years? The global economy hates a vacuum. If we're not going to be competitive, somebody else will be more than happy to fill the void.

It's ironic: People who oppose this treaty have been called protectionists. But if you really think about it, even on protectionist grounds, there is no rational argument against it. Protectionists believe we should keep tariffs and barriers high to protect our industries from foreign imports. But under this agreement, our tariffs won't change one bit. If we reject PNTR, the only thing we'll be protecting is China and its state-run economy – protecting it from the products and ideas of American industry and American workers, from globalization and the change it brings.

The fundamental question in this debate is not what economic impact will China's WTO membership have on America, for in economic terms, we win, without question. The real question is what impact will this have on China? I strongly believe that if China joins the WTO and we approve PNTR, China will be more likely to emerge as a more open, stable, prosperous cooperative nation that plays by the rules of the international system. If we reject PNTR, we will undermine that goal, with potentially threatening consequences to our national security.

For years, the debate over America's China policy has come down to a debate between the carrot and the stick. Should we promote change within China and in its international behavior by offering it the benefits of partnership and trade? Or should we compel change by withholding benefits and imposing sanctions?

But the debate about PNTR is not a debate between the carrot and the stick. Voting yes does not confer any special benefits on China; voting no is not a sanction. The question before us is

whether change in China is more likely to come from the outside-in or the inside-out? Clearly, pressure from the outside in, even symbolic pressure, must continue. But I believe that it is far more effective to encourage and empower the forces already rising within China – among its people and many of its leaders – who want their country to be part of the global community. Bringing China into the WTO and voting yes on PNTR has the potential to do just that.

To understand why, it's important to understand why China is willing to do what it has undertaken to perform in this agreement. Over the last 20 years, China has made great progress in building a new economy, lifting more than 200 million people out of abject poverty. Nationwide, China has seen the emergence of more than a million nonprofit and social organizations, and a 2,500 percent explosion of print and broadcast media.

But its economy still is not creating jobs fast enough to meet the needs of the people. Only a third of the economy is private enterprise. Nearly 60 percent of all investment and 80 percent of all business lending still goes to state-owned dinosaurs. Last year, only six Chinese companies, all of them state-owned, made it to the list of the Fortune 500 -- not because of their performance, but because of the sheer number of people they employ. Today, \$300 billion worth of products – an amount equal to one-third of China's gross domestic product – are so poorly made that they sit in China's warehouses. Meanwhile, China's workforce is increasing by 12 million each year. At least 100 million people are looking for work. In urban areas alone, it's been estimated that China needs to create 18 million jobs per year just to keep up.

So China's leader's face a dilemma: they realize that if they open China's antiquated market to global competition, they risk unleashing forces beyond their control -- temporary unemployment, social unrest, and greater demands for freedom. But key figures in the leadership, including Premier Zhu and President Jiang have also concluded that without competition from the outside, China will not be able to build a modern, successful economy. By agreeing with us to join the

WTO, they have made a choice that could have profound consequences.

For starters, they have chosen to enmesh China in the world. They have chosen to build their economic future in cooperation with us. They have chosen to join a global institution that sets rules and expects its members to abide by them. In fact, for the first time, some of China's most important decisions will be subject to the review of an international body, with binding settlement procedures to resolve disputes.

Opponents say that none of this matters, because China will just break its promises -- as they have on past agreement on human rights and prison labor. But in real and important ways, China is starting to conform to international norms. It is a member in good standing of both the Biological Weapons Convention and the Chemical Weapons Convention. It has signed both the Nuclear Non-Proliferation Treaty and the Comprehensive Test Ban Treaty, and has lived up to those commitments. Under American pressure, it has started to curb military and nuclear sales to Iran and Pakistan. China has shown that it is far more likely to abide by international norms when it is operating within an international system.

And if China does not comply, we are still better off having it in the WTO, because then its actions will be subject to rules embraced and judgments enforced by 135 nations. And we're far more likely to find acceptable resolutions to differences of opinion in this context than if there was no system at all.

By joining the WTO, China has also chosen to slash the tariffs that protect its state-owned industries from competition from the private sector. Why is that important?

In the past, virtually every Chinese citizen woke up in an apartment or a house owned by the government, went to work in a factory or farm run by the government, and read newspapers

published by the government. State-run workplaces also operated the schools where they sent their children, the clinics where they received health care, and the stores where they bought food. That system was a big source of the Communist Party's power. Now, people are leaving those firms. And when China joins the WTO, they will leave them faster. It will speed a process that is removing government from vast areas of people's lives. In many ways, it will take the command and control out of communism in China.

What is happening to the workers and professionals set free by these changes?

Already, many of China's best and brightest are starting companies, or seeking jobs with foreign-owned companies, where they generally get higher pay, more respect, and a better working environment. Over time, that is the best way – in fact the only way – to improve respect for labor rights in China and to raise the wages of Chinese workers – as well as their expectations. Indeed, since 1979 – since China started opening its economy to the world – despite the challenges that remain, the standard of living of the average Chinese has increased nearly five fold.

At the same time, in many parts of China, economic reforms have led to temporary hardship – and the rise of conditions for labor and political activism. In cities and towns across the country, workers and farmers have staged protests and strikes to demand greater representation and accountability. Indeed, last year alone, there were more than 120,000 labor disputes across China. In some places, the government has responded by cracking down. In others, it has responded by giving people a greater say. Local elections are now held in the majority of the country's 900,000 villages, and they have been introduced in big cities as well. In some places, workers are taking grievances to court – where they are increasingly winning their cases.

When asked why, one party official said, "this is the beginning of a process. We realize that in order to improve social control we have got to let the masses have a say." Sooner or later, that

official is going to learn the lesson that so many others have learned the past ten years -- the genie of freedom will not go back in the bottle.

Lastly, by signing this agreement, China has chosen to bring the information revolution to China. In the past year, the number of Internet addresses in China has more than quadrupled from two million to nine million. This year, the number is expected to grow to over 20 million. When China joins the WTO, by 2005, it will eliminate tariffs on information technology products, making the tools of communication even cheaper, better, and more widely available.

Even as Beijing tries to crack down on the Internet, the four major Internet providers in China just announced that this year, they will pour more than \$1 billion into improving Internet connections and promoting e-commerce. And just last week, authorities gave approval for China's mobile service providers to offer wireless Internet access to more than 40 million mobile phone subscribers – which is expected to grow to 100 million by the end of next year. [NOTE: Is this unclassified?] Wireless internet connections will make it even easier for ordinary Chinese to communicate and mobilize in ways their government cannot control.

The fact that China is trying to control Internet content proves just how real and threatening these changes are and how much they threaten the status quo. It's not an argument for slowing down the effort to bring China into the world, it's an argument for accelerating it.

In the end, China will learn what every other nation of the world is learning today: in the knowledge economy, you can't have economic innovation without political empowerment. Of course, bringing China into the WTO doesn't guarantee that it will choose political reform. But accelerating the process of economic change, it will force China to confront that choice sooner, and it will make the imperative for the right choice stronger.

Many people agree that bringing China into the WTO is a good thing, but say we can just pocket this progress and vote no on PNTR. They argue that we as a nation need the annual vote to address other concerns we have with China, particularly on human rights. We agree that change in China will only come through a combination of internal pressure and external validation of China's human rights struggle. We have to maintain our leadership in the latter, even as the WTO contributes to the former. That is why we sanctioned China under the International Religious Freedom Act last year. That's why the State Department issued such a tough report on China's human rights abuses a few months ago. And that's why, two weeks ago, we again sponsored a resolution in the UN Human Rights Commission condemning China's human rights record. The spotlight on China's human rights violations is bright, and we don't need the annual China trade vote to continue to shine it.

The truth is, Congress always has the right to address any part of our relationship with any nation, including China. And we all know that the annual vote has proven to be an ineffective vehicle for change. For 20 years in a row, even during those moments when our relationship was at its lowest point -- during Tiananmen Square or in the wake of China's threats on Taiwan in 1996 -- this vote has simply affirmed our trading relationship with China. [Can we say anything about alternative legislative mechanisms?]

At the same time, I am deeply concerned that preserving that symbolic vote by rejecting PNTR will have profoundly negative consequences for the security of America and the stability of Asia.

As I listen to this debate about China going on in our country, I remind people that the Chinese leaders and their people are engaged in a debate about us. And many of them believe that we honestly don't want their country to assume a respected place in the world. There are some in China today who look out at the world and say, "I don't know why we're pursuing this engagement policy with the United States. They bombed our embassy in Belgrade. They tried to

embarrass us on human rights in Geneva. Their President just visited India, which is our strategic adversary to the South. They just sold Taiwan hundreds of millions of dollars worth of arms, and a few months ago, their Congress voted to strengthen their military relationship with Taiwan.”

On top of all that, they look across the Taiwan Strait and see a thriving democracy where a pro-Independence candidate just won the Presidency. They look closer to home at a country where more than 100 million people are unemployed, where the Falun Gong movement is growing, where people are talking below the radar on the Internet. Many are deeply uncomfortable about changes their government is making in response to the pressures of global competition – the same hopeful changes I have described to you today. And yet, despite all of that, they have gone out on enormous limb to reach out to the world, to open their economy and take all the economic risks associated with it.

Now, imagine if we decide to slap that hand away and vote no. Because this is such a clear-cut economic winner for the United States, the Chinese government will not believe we rejected it for economic reasons. It will interpret rejection of PNTR as a strategic decision by the United States -- whether it is or not -- to pursue a policy of confrontation rather than cooperation, and to treat China as an adversary. It will confirm their worst suspicions that we want them to fail. It will make the Chinese far more likely to read hostile intent into every move we make. It will increase the likelihood of a chain reaction in which we find ourselves confronting and undercutting each other across Asia and across the world.

The next few months are already going to be a sensitive time. In May, Taiwan’s new President will take office. In June, President Clinton will be visiting Russia, and in July, the G-8 will be meeting in Okinawa, where we will almost certainly meet with the new Japanese Prime Minister and highlight the strength of our alliance with Japan. On top of all that, the President will make a decision this summer on the deployment of a national missile defense. At each of these

junctures, China's suspicions, whether we find them rational or not, are likely to be reinforced.

In this environment, I believe a no vote on PNTR would undercut the reform-minded leaders who signed this agreement with us, who have put their reputations and careers on the line for a policy of greater openness. I believe it would strengthen the hand of those who have always believed that cooperating with the United States is a mistake. It could give a leg-up in leadership struggles to hard liners who don't want their country to be part of the world; the same people willing to settle differences with Taiwan by force; the same people most threatened by our alliance with Japan and Korea; the same people who want to keep the Chinese military selling dangerous technologies around the world; the same people whose first instinct in the face of opposition is to throw people in prison. China will be more likely to respond to the pressures of globalization by hunkering down instead of opening up.

Would we be more secure five or ten years down the road with that kind of China? What kind of progress do you think we would make then on labor rights, environmental rights, and human rights?

A no vote on PNTR would also increase tensions between China and Taiwan and therefore the likelihood of a conflict that would draw the United States in. Since 1979, we have played a crucial role in maintaining stability across the Taiwan Straits by recognizing one China, encouraging a peaceful resolution of differences, and promoting dialogue. As a result, all three sides of the triangle – between China and Taiwan, China and the U.S. and Taiwan and the U.S. -- have been strengthened.

But now we have arrived at a moment of high danger between China and Taiwan. The election of President Chen has roiled Beijing. He is being inaugurated on May 20. Our vote on PNTR will come just a few days later. A no vote would intensify Beijing's suspicions about American

efforts to weaken China and promote Taiwanese independence. Its readiness to work with us on this issue would decrease, as would our ability to urge restraint. Because so much of Taiwan's investment in China is aimed at producing exports to the United States, a no vote would also weaken the economic ties that bind China and Taiwan, and thus decrease the cost to Beijing of cross-Strait conflict.

Taiwan's President-elect Chen strongly supports China's membership in the WTO, and is urging us to grant PNTR. He understands the importance of the stability that comes from good US-China relations and China's membership in the WTO. The people of Hong Kong also want us to approve PNTR, including the courageous leader of Hong Kong's Democratic Party, Martin Lee.

A no vote on PNTR would also undermine confidence in our leadership among our Asian allies. The one thing they do not want is a Cold War between the United States and China. If they believe we are moving in that direction, our allies in Japan, Korea, and Southeast Asia could well begin to reposition themselves to assume a more neutral posture-- and distance themselves to some degree from America -- so they don't get caught in the crossfire. As a result, our ability to advance our interests throughout Asia would diminish.

More broadly, I think a no vote on PNTR would send a penetrating signal -- particularly after the Senate's rejection last year of the Comprehensive Test Ban Treaty and the rejection of Fast Track the year before -- that America has turned inward; that at the moment of our greatest strength and influence, we chose to turn away from the world instead of leading it. Our capacity to lead on a broad range of issues -- from arms control to global poverty to AIDS -- would be severely compromised. That would be a tragic mistake.

Finally, a no vote on PNTR could make China itself a weaker country. This is a society at a crossroads that has made a decision to open itself economically with some recognition of the

risks involved. If that decision is rejected by the number one power in the world, what do you think that would mean for China's future development? If we have learned anything in the last few years from Japan's long recession and Russia's economic troubles, it is that the weaknesses of great nations can pose as big a challenge to America as their strength. The danger of a weak China beset by poverty, internal conflicts, social dislocation, criminal activity, loose nukes, and large-scale illegal emigration, is real, and the leaders of China know it. It is one reason many of them are trying to strengthen China's economy and society by opening it to the world. It is the reason why others fear dissent and fight change. As our President has said, "a tight grip is often the sign of a weak hand."

By embracing China's membership in the WTO and voting yes on PNTR, we have a chance to encourage the best possible outcome: a China with a leadership that finds strength in partnership with its people and the world. Voting against PNTR, on the other hand, won't free a single prisoner in China, or create a single job in America, or reassure a single American ally in Asia. It will simply empower the most rigid anti-democratic elements in the Chinese government. It would leave the Chinese people with less contact with the democratic world, and more resistance from their government to outside forces. And our friends and allies would wonder why, after 30 years of pushing China in the right direction, we turned our backs, now that it finally appears to be willing to take us up on it.

We know that the path China takes to the future is a choice only China can make. We cannot control that choice, we can only influence it. But we do have complete control over what we do. We can work to pull China in the right direction, or we can turn our backs and almost certainly push it in the wrong direction. Granting China PNTR won't create a perfect China, it won't put an end to all of our concerns. But it will increase the probability of a future of greater openness and freedom for China. It will lay the foundation for a more peaceful and secure Asia and the world. And for the Columbia class of 2000, it will help create a future of greater peace and

prosperity for the world you will inherit.

This is an historic opportunity. It's the right thing to do. And we're going to continue to do all we can to convince Congress and the American people to support it. Thank you.

Ken's "National Security" Text

I have reviewed the economic arguments about PNTR simply to remind you that they are compelling. Virtually everybody who has looked at this agreement seriously believes that it is in America's overall economic interests to bring it into full effect. Almost all members of congress who have concerns about PNTR believe this. It is fair to say that all Chinese do, too. And that is the rub.

Because the economic benefits are so clear, both the American and the Chinese sides view this not primarily as a trade vote, but rather as a vote on the entire future of the US-China relationship. Precisely because China will join the WTO this year regardless of the US vote on PNTR, because the WTO will move China in directions we have long advocated, and because PNTR will enable the American economy to reap the full benefits of this wide ranging agreement, to reject PNTR is to make a major statement about the potential for confrontation versus cooperation in future US-China relations.

As National Security Advisor to the President, I have to be gravely concerned about the implications of such a statement. For the PNTR issue has very serious national security implications.

You are all well aware that US-China relations have been far too volatile, whether during the past decade or the past year. Adopting PNTR should substantially reduce that volatility.

Granting PNTR will increase economic interdependence, giving more people on each side a solid stake in keeping our ties on an even keel. It will strengthen reformers in China, the people who want both to change how the domestic system operates and who recognize the enormous importance of good US-China ties to accomplishing their goals. It will increase our exports to

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More than twenty years ago Vice President Walter Mondale, speaking at Peking University, declared that America's interests require a strong, modernizing, reform-minded, open China, a China that can meet its own huge challenges and have the confidence and incentives to maintain strong US-China relations. Vice President Mondale was right then, and the same argument is equally compelling now.

I have found over the past seven years that closer US-China relations affect a lot of issues. There are strong connections that we must recognize. Good US-China relations bolster reformers in China, and the reformers in turn want good US-China relations. When reform and opening are moving forward, China becomes more cooperative on such crucial issues as nonproliferation, regional security, peacekeeping, human rights, and arms control. These problems do not magically go away, but the record is clear that stabilizing US-China relations creates both the

atmosphere and the trust necessary to deal cooperatively with bilateral, regional, and global issues of deep concern to us.

Granting PNTR is also good for Taiwan, and cross-Strait issues are now one of my main concerns as I think about peace and stability in Asia. Chen Shui-bian recognizes this reality and supports a favorable congressional vote. He knows that good US-China relations are vital for Taiwan's own security because deep Chinese suspicions of American motives lead Beijing's leaders to be too suspicious to dare to exhibit the flexibility required to reduce tensions across the Strait. Particularly at this sensitive time, Chen wants us to be sensitive to the need for cross-Strait ties to develop. Note that Chen Shui-bian's inauguration is on May 20th, and the House vote on PNTR will take place during the following week.

Economically, PNTR is also very important for Taiwan, as Taiwan uses the Mainland as a platform for much of the production that it exports to the United States. Failure to pass PNTR will create a serious drag on US-China trade, which could force Taiwan to shift its US-oriented production elsewhere. But cross Strait economic ties benefit Taiwan both economically and politically, and Chen Shui-bian has as a top priority establishing the "three direct links" (shipping, communications, and air) with China. Failure to adopt PNTR would undercut Chen's goals and reduce both Taiwan's economic well being and security.

The benefits of an affirmative vote on PNTR for American national security interests are thus very substantial. Beyond providing the specific benefits I have just noted, an affirmative PNTR vote signifies that America sees our future with China as lying in wide ranging engagement that helps China meet its challenges, benefits the American economy, enhances mutual trust, and permits greater cooperation in addressing regional and global issues.

Until a decade ago, the Cold War provided the strategic rationale for US-China relations. A favorable vote on PNTR will have long term effects that significantly strengthen our view of the post Cold War international order, an era in which major power cooperation is core to our national security.

Unfortunately, we do not have the luxury of either reaping the benefits of a vote in favor of PNTR or simply maintaining the current *status quo*. We will have to either adopt PNTR with all its benefits or reject it and face all the costs of doing so. And in national security terms, those costs are a matter of grave concern.

Because Beijing cannot fathom an economic reason for our rejecting PNTR, it will see rejection as proof that the United States has decided that its future relationship with the PRC will be confrontational. This can tip the scales in the debate that is taking place in China between those who want reform, openness, and cooperation with the US and those who want to tighten the internal clamps, invest more heavily in the military-industrial complex, and hunker down for the "inevitable" struggle with America bilaterally, regionally, and globally. The Chinese will be far more likely to read hostile intent in their view, a US desire ultimately to encircle, destabilize, and isolate China into every American move.

We have seen in China's reaction to our accidental bombing of the Chinese embassy in Belgrade

a year ago that many harbor deep suspicions about American motives. When I personally learned that some Chinese believed that bombing was intentional, I was stunned. The fact that even a year later many still hold to that view must be taken into account as we judge China's concerns about American intentions. This perspective can fundamentally increase the chances of a chain reaction that can lead to future confrontation and conflict in all aspects of US-China relations.

A negative PNTR vote will encourage those Chinese who are suspicious of the US and who fear domestic reform as undermining their system through "Westernization" to take the bit in their teeth. These anti-reformers will seek to obstruct WTO-mandated change and constrain the foreign presence in China. China's economy will not perform well under these circumstances, and the hard line leadership would likely stoke anti-Western nationalism to cope with the resulting social and political strains.

It is hard to imagine that this situation would prove more beneficial to human rights in China than would the situation if we had adopted PNTR. It is also easy to imagine why China's increased threat perceptions regarding the US would impact on Beijing's willingness to cooperate with us in containing proliferation, strengthening arms control, expanding peacekeeping and cooperative humanitarian efforts, reducing environmental threats, dealing with tensions across the Taiwan strait. Instead of viewing each of these arenas as an opportunity for strengthening US-China relations, the Chinese could see each as a potential ground for undercutting US initiatives. Both the Chinese and we would be poorer for this development.

But the national security costs may be far wider, subtler, and more serious than even these comments suggest.

First, through the engagement policies of four administrations, we have sought to help China meet its challenges in a way that enhances our mutual ties, strengthens our cooperation, raises the costs of potential confrontation, and reduces threat perceptions. A successful, basically cooperative China is very much in America's interest. This perspective takes into account what we will face if China falls far short of meeting the challenges that confront it.

If the economy slows, environmental devastation deepens, social tensions rise, and the political system cannot cope, we can face larger scale illegal emigration, stronger transnational criminal syndicates, greater proliferation of nuclear and missile technology, and uncertainty in a region that straddles the heart of Asia from Japan to central Asia and from Russia to Vietnam. Our interests in China's governing itself well and meeting the requirements of its huge population are, in short, not merely abstract or humanitarian. They are concrete and wide ranging. Should this come out wrong, my successors will have to focus on massive problems that we should be able to avoid.

All other Asian countries, regardless of political and economic system, understand this fundamental reality. That is why, even though some will face markedly tougher economic competition from China once it obtains PNTR, every single one of them supports this measure.

Indeed, all Asian capitals regard US-China relations as critically important for the future

stability, prosperity and peace of the region. All look to us strike the right balance so that we can avoid the twin threats of Chinese weakness and of Chinese belligerence. All, in short, want stable, constructive US-China relations.

I have seen time and again that seemingly abstract elements such as confidence and trust play a profound role in international relations. Asian leaders could well regard American rejection of PNTR as a sign that America no longer recognizes the basic requirements of our role as a leader in Asia, and they will adjust accordingly.

If the worst case should occur and rejection of PNTR lead, ultimately, to US-China confrontation across Asia, we will hold our own but at potentially very significant cost. Because many countries will see these developments as, at least in part, a result of American rigidity, we may have reluctant and uncertain friends. Fundamental political conflict could spill over into trade and disrupt natural markets and regional prosperity. Trouble spots in the region will be harder to resolve. Japan and the Republic of Korea may become particularly apprehensive under these conditions.

In a subtle way, America's capacity for global leadership will also be affected. Many may see our failure to adopt PNTR now as indicating that America is turning inward, not recognizing our role as a steward of the global economy. The resulting harm to our reputation and credibility can reduce our ability to elicit real-world cooperation. A growing perception of an increasingly unreliable, unilateral America would make it more difficult for us to gain support for our international initiatives more generally.

Paul,

The following is intended to elaborate the national security argument that is the final section of your current text. Sandy asked me to spell out this argument in full without regard to length, and I have done so here. The speech has been advertised to the media as a national security analysis of the PNTR issue and its consequences. I have not had time to edit this for style, and I certainly would want to have you add an ending that pulls things together. But the analytical guts of the argument are here. These are all points that Sandy has approved for use in other settings. This morning, Sandy asked me to give this to you before he sees it. I thus count on you to pass it along to him. I am available all weekend if you need to contact me.

Ken

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