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US-CHINA BUSINESS COUNCIL → 4569490

NO. 820 P001

# The United States-China Business Council

1818 N Street, NW, Suite 200 Washington, DC 20036-2470  
Tel: (202) 429-0340 Fax: (202) 775-2476 [www.uschina.org](http://www.uschina.org)

## Facsimile Transmission

March 7, 2000

To: Sandy Berger

456-9490

From: Bob Kapp

Re: Verbiage

Pages: 12

• Comments: URGENT: RELATES TO 3/8 SAIS SPEECH

Sandy, please excuse my haste and informality.

First, a word of sincere thanks and admiration for the powerful efforts that the president and his entire team are devoting to the struggle for PNTR. It is a pleasure to be working with the White House on this.

I want to tell you how much we in the broad business community fighting for PNTR hope that, in his remarks at SAIS tomorrow, President Clinton will go out of his way to clarify something which remains dangerously obscure to many in the Congress, many in the media, and many in the general public.

I.e., the PNTR vote is NOT a vote on whether China enters or does not enter the WTO. It is a vote on realizing for Americans the benefits that become available to America WHEN China enters the WTO.

The media, and more importantly those who are so vigorously fighting for the defeat of PNTR, consistently misstate this. The media, by and large, don't know any better. The opponents make it seem as though a "no" on PNTR will deprive the Chinese of the benefits of WTO membership and prevent the degradation of the WTO itself. In other words, they point to what's "wrong" in China, and then urge "NO ON PNTR" as a way of redressing those wrongs by denying benefits to China.

You know better and so do I. But it's a tough message to get across. It would be very, very helpful if the president could remind the nation, as Ambassador Barshetsky and the business community have reminded Congress: The Congress's vote is on bringing home the fruits of our victories at the negotiating table to America's farmers, workers, investors, companies, and consumers. It is not about letting China in to the WTO, a matter that is decided by the members of the WTO itself.

I attach a few items in this vein that we try to use. Best wishes, and thanks.

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# The United States-China Business Council

1818 N Street, NW • Suite 200 • Washington, DC 20036 Telephone: 202/429-0340 Fax: 202/775-2476

## PNTR Trade Status for China: Ten Key Considerations

### *Part One: Five Reasons to Say "Yes" to PNTR*

#### **1. PNTR BRINGS HOME THE BACON TO WORKING AMERICANS IN FARMING, INDUSTRY, AND SERVICES. IT WILL PROMOTE U.S. EMPLOYMENT AND AID AMERICAN CONSUMERS AT ALL INCOME LEVELS.**

After thirteen years, the U.S. has secured China's agreement to a massive list of trade and investment concessions that few dreamed possible only months ago. As China enters WTO, it will reduce tariff and non-tariff barriers to American products, services, and commercial activities as never before, thanks to U.S. tenacity at the bargaining table. *This spells economic opportunity for American farmers, workers, exporters, services firms and consumers.*

**2. THE NAME FITS: NTR MEANS NORMAL TRADE RELATIONS, NOT PREFERENTIAL TREATMENT.** Today, the U.S. extends standard NTR to every nation in the globe but six: Afghanistan, Cuba, Laos, North Korea, Serbia-Montenegro and Vietnam. Even embargoed countries like Iraq and Libya technically receive NTR trade status from the United States. *More than 100 nations receive preferential U.S. tariff treatment more favorable than NTR.*

#### **3. THE WAY TO REDUCE TRADE DEFICITS IS TO OPEN FOREIGN MARKETS. PNTR OPENS CHINESE MARKETS.**

Those who focus most heavily on the U.S. trade deficit with China should be among PNTR's strongest supporters. Our WTO market-access agreement with China opens markets that China has persistently denied to us in the past. This is spectacularly true, both in agriculture and in the service sector -- distribution, telecoms, financial services, auto finance, to name a few examples -- which are critical to America's success in global markets. *But China's critical market openings won't apply to the U.S. without PNTR.*

#### **4. U.S. BUSINESS CONTRIBUTES TO POSITIVE CHANGE IN CHINA.**

American firms bring to China ideas, work styles, management methods, adherence to market economics, commitment to the free flow of information, dedication to environmental responsibility and worker safety, and other American attributes that remain embryonic in China. American business's influence in China's transformation is modest, but real. That influence will grow as the American business sector expands its operations in China under PNTR. *But it will falter if PNTR fails and American opportunities are ceded to our global competitors, whose norms often differ markedly from our own.*

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## Ten Reasons to Approve PNTR

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**5. WTO RULES ARE THE WORLD'S BULWARK AGAINST THE LAW OF THE JUNGLE IN INTERNATIONAL TRADE. U.S. ECONOMIC SECURITY REQUIRES THAT A GROWING CHINA BE HELD TO WTO OBLIGATIONS.**

WTO codes are the world's common defense against any member's destructive go-it-alone behavior. The US is the leading architect of those codes, in its own interest. Only by providing Full WTO Member Treatment for China (PNTR) will the U.S. be able to call on the full weight of the international trading system in pursuit of legitimate grievances against Chinese abuse of the WTO rules of the road. Americans will not enjoy the protection of WTO enforcement unless we treat China as a WTO member by establishing PNTR.

***Part Two: Five Reasons Not to Say "No" to PNTR*****6. TURNING DOWN PNTR AMOUNTS TO UNILATERAL ECONOMIC DISARMAMENT.**

Saying "No" to PNTR means handing our opportunities to our global competitors, while we spurn the gains we've achieved at the negotiating table. In WTO, one NTR fits all: members can't discriminate against individual countries. We grant PNTR to every other WTO member; anything short of that is WTO-incompatible. If the U.S. rejects for China the PNTR it offers all others in WTO, China would deny to the U.S. the critical reforms of its trade and investment conduct (many secured by U.S. negotiators) that it will automatically provide to all 133 other WTO members.

**7. CONGRESS'S PNTR DECISION IS NOT ABOUT WHETHER CHINA WILL JOIN THE WTO.**

Congress's decision is simply whether Americans will enjoy the same improvements in China's economic and trade environment that China will provide to all 133 other WTO members. When China completes its bilateral negotiations with remaining negotiating partners, as it did last November 15 with the US (its toughest negotiating adversary), the WTO's members will welcome China to the WTO. Congress must decide whether or not the U.S. will treat the PRC as a full WTO member when, not if, the PRC joins the WTO.

**8. PNTR IS NOT A "GIFT TO CHINA" OR A "FAVOR."**

China, not the U.S., has made all the commitments to lower tariffs, market-opening, and administrative reform as it prepares for WTO accession; China, as the nation seeking to enter the WTO, has signed off on the tough list of commitments the U.S. has demanded as conditions of American support for China's WTO candidacy. The idea that the U.S. has somehow "given in" to China is 180 degrees off the mark.

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## Ten Reasons to Approve PNTR

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**9. "NO ON PNTR" MEANS "MESSAGE TO CHINA: WE PREFER YOU THE WAY YOU ARE: DON'T CHANGE ON ACCOUNT OF US."**

On this question, Americans interested in positive change within China should be in the locomotive, not the caboose! China under WTO disciplines must reform many domestic commercial, legal, and administrative practices offensive to many Americans. Many in organized labor and in Congress, for example, have complained about Chinese requirements that U.S. firms transfer technology as the price for investment opportunity in China. That, and many other unacceptable practices, are set to be eliminated upon Chinese WTO accession -- for all other WTO members, and for us -- if we establish PNTR. U.S. rejection of PNTR, after China's leadership has made the wrenching commitments to reform its domestic policies at U.S. demand, would only lend strength to the very forces within China that the Congress finds most objectionable.

**10. "BUSINESS AS USUAL" ANNUAL NTR WON'T DO THE JOB, EVEN IF WE WANTED TO RELY ON OUR COMPETITORS TO GAIN OUR TRADE OPPORTUNITIES FOR US.**

It will not do to say, "Let the Europeans and the Japanese get the concessions by granting China PNTR; we'll get them on the cheap." The WTO requires all its members to treat each other without discrimination, and to provide NTR without condition. If the U.S. establishes NTR for China in a manner different from the way it treats the other 133 members, that's discrimination. If the U.S. perpetuates China NTR on a basis that renders it liable to revocation each year -- even if the current legal language regarding freedom of emigration were removed -- that would be conditional, since it would require that no issues would ever arise that would cause Congress to revoke it. Either way, anything short of PNTR would not be full WTO member treatment, and China would not extend full WTO member treatment to the U.S. End of argument: we don't give it, we don't get it.

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Robert A. Kapp

## LETTER from the President

### Cutting Through the Smoke on China PNTR

We are now far enough into the national debate about Congress's vote on Permanent Normal Trade Relations (PNTR) for China to be able to see the dimensions, the main arguments, of the discussion. Whether by intent or out of ignorance, a number of confusions remain—in the media, in the Congress, and perhaps in the public mind—about what PNTR is, what Congress's decision is, and what the implications of the outcome in the Congress will be. Let me try to address the main confusions.

**The claim that we can deny PNTR to China and still enjoy all the economic and commercial advantages that the other 133 WTO members will enjoy when China joins, thanks to our 1979 trade agreement with China that calls for reciprocal MFN, is both false and cowardly.**

1. Congress's vote on PNTR is *not* a vote on whether China becomes a member of the World Trade Organization or not. The 133 member countries and territories of the WTO decide that. Having concluded the impressive US-China agreement of last November, the United States will support China's access when China finishes its remaining bilateral WTO deals and the WTO accession process kicks in. Since the vote is *not* on whether we "permit" China to enter the WTO or not, the vote is not a "gift to China."

2. Establishing a different NTR for China than we provide to all other WTO members is discriminatory. WTO members may not discriminate in their treatment of one another. The United States treasures that core WTO requirement, because it prevents other countries from discriminating against our goods, services, and investments. But if we discriminate against another WTO member, that member is entitled to discriminate against us. All members of the WTO extend permanent unconditional NTR to all other members, and receive that treatment in return. US treatment of China in a different manner from the treatment of other WTO mem-

3. Failure to provide PNTR—full WTO member treatment—to China as it enters the WTO is unilateral American economic disarmament in favor of our global competitors. If the United States discriminates against China by establishing a different, non-permanent form of NTR for this one country, the US forfeits its right to avail itself of the massive economic and commercial concessions that China has agreed to—in our negotiation with the PRC—as conditions of China's entry into the WTO. China's commitments to open its markets, end discrimination against foreign goods and businesses, open hitherto closed sectors to international participation, and so on—plus its obligation to submit to WTO disciplines and binding WTO dispute resolution—will be available to every WTO member except the United States if we walk away from our one obligation—to treat China like a WTO member when China enters the WTO.

4. The claim that we can deny PNTR to China and still enjoy *all* the economic and commercial advantages that the other 133 WTO members will enjoy when China joins, thanks to our 1979 trade agreement with China that calls for reciprocal MFN, is both false and cowardly. The 1979 US-China trade agreement, signed at the moment diplomatic relations began and before there was a significant US-China trade or investment relationship, is a couple of pages long. Its MFN provision deals only with reciprocal exchange of lowest standard tariffs, on goods. In China's upcoming WTO accession, lower tariffs are only one of many factors: the great bulk of the benefits China has agreed to provide to the world as it enters WTO are non-tariff related, and none of those, including WTO dispute-resolution processes, are available to the United States through the 1979 three-pager. By this point in this debate, it is simply inconceivable that those who continue to peddle this "We get it all anyway" line don't know better; they are disingenuous in suggesting this to Congress, and Congress should know better, too.

That line is also demeaning to the United States: "Let the Europeans and the Asians level the playing field for all of us by establishing PNTR with China themselves; we'll get the goods through the back door." Wrong on the merits, and wrong on what it implies about the United

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not hide in the pleats of somebody else's skirts on issues involving global economic stability.

5. China's WTO accession does not spell automatic loss of US jobs, as PNTR's opponents say it does, any more than it automatically spells a gigantic expansion of US employment. Evocations of the "Great Sucking Sound" debate over NAFTA a few years ago will not wash. Leave aside the fact that China's WTO accession involves no US economic concessions at all, and leave aside the fact that NAFTA has bolstered employment in some US sectors. Even five minutes' consideration will tell the youngest novice that the situation with China is not as simple as the "Sucking Sound" forces continue to suggest. Consider:

- Massive lowering of Chinese tariffs is likely to diminish the pressure to invest in-country that some foreign companies now face, simply to get their products into the Chinese market. If your product is no longer hit with tariffs that price you out of China's market, you may decide to ship into China from the United States, or from another production facility already operating somewhere else.

- The percentage of total production costs accounted for by labor varies from product to product. Most US investment abroad is rooted in calculations other than labor cost. If companies really consider low labor costs to be the sole factor in their decisions, they will move to many countries before they go to China. In fact, for the most part, US exports to the world do not consist of labor-intensive products, but rather of products of US technological strength, design and marketing skill, and production efficiency.

- Yes, China's investment climate for foreign firms is going to improve with WTO entry. For example, at US insistence, China has agreed to prohibit existing practices that require foreign firms to transfer advanced production technology or export a portion of their PRC-produced goods simply in order to be allowed to operate in China at all. But these very concessions that China has now made were until recently the cherished aims of the same US political forces that now insist on denying them to our own people. Would they rather, as will be the case if PNTR is not approved, that US firms continue to be forced to transfer technology and export their products from China? What does that do for US employment?

- As one astute Congressman noted in a PNTR hearing in mid-February, every trade agreement, like every technological innovation or product invention or change in market conditions, brings gains and losses. This is the real truth, but perhaps because it's a balanced view it gets short shrift in the assault on PNTR. No attempt to assess the implications of China's presence in the WTO should count the presumed negatives without taking account of the presumed posi-

6. The PNTR vote is simply *not about* US approval or disapproval of elements of China's internal behavior that some Americans find repellent. Saying that it is doesn't make it so. This notion that enacting a US policy to reap the benefits of a splendid trade agreement is somehow the same as stamping the seal of approval on ob-

**By this point in this debate, it is simply inconceivable that those who continue to peddle this "We get it all anyway" line don't know better; they are disingenuous in suggesting this to Congress, and Congress should know better, too.**

jectionable political or government practices in China is just hopelessly wrongheaded. It is hard, sometimes, to believe that those making this case really fail to understand that PNTR is not a gift to China—it's a reward to the United States.

This argument seems to be particularly seductive in Congress, whose members must meet the aroused concerns of voters on a thousand issues and who are presumed to be able to do something about each of them. The fact is that neither China's WTO admission, in which Congress has no say, nor the establishment of full WTO-member trade relations between the US and China, in which Congress has the say, is likely to make a direct and short-term difference to the long menu of "hot button" US-China issues. Again, those who continue to argue that PNTR is some sort of US "approval" of injustice—and that denial of PNTR would be a fruitful way for the US to combat evil—ought to know better and, in my experience, in most cases usually do know better.

#### **The meaning for China**

On the other hand, let's look ahead a little, beyond this spring, beyond this November. The long-term implications for positive social and institutional change in China embedded in China's WTO agreement with the US are incalculably great, and have been ignored by both sides in the American debate — a debate which, as usual, paints China in fantasies of black and white.

Simply put, what China has agreed to at our insistence is the greatest single step in the direction of a market economy—with all the institutional reforms that this will demand—in the history of the People's Republic of China. Listen to the words of Pieter Bottelier, who, as the World Bank's Chief of Mission in China through much of the 1990s, came face to face every day with the immensity of China's challenges in shedding the

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*The bilateral US-China WTO accession agreement of November 1999 is a historic breakthrough in China's economic modernization drive. It marks the first time since the start of market reforms under Deng Xiaoping in 1978 (and probably the first time in Chinese history) that a comprehensive set of domestic reform targets became the subject of a formal international agreement with, when WTO membership kicks in, powerful multilateral legal sanction.*

The Americans who are the most dissatisfied with aspects of China's internal situation should be the most vigorous of all of us in insisting on full US involvement in the WTO-assisted evolution of China's economic and social systems.

#### **The current debate in perspective**

A century ago, the United States Congress was knee-deep in high-intensity debate over China. The issue then was closing American borders to immigrants from China, a policy first enacted into law in the Geary Act of 1892 and impelled both by demands from labor organizations and by widespread hostility in American life toward the Chinese and their alien ways.

The leader of the American Federation of Labor published a pamphlet on the subject in 1902: "Some Reasons for Chinese Exclusion, Meat vs. Rice, American Manhood Against Asiatic Coolieism: Which Shall Survive?" The US Commissioner-General of Immigration and former head of the Knights of Labor, Terence Powderly, said in 1901, "No graver danger has ever menaced

the workingmen of America than that which faces them when the possibility of lowering the bars at our seaports and border-lines to the Chinese is presented." Senator Teller of Colorado weighed in: "If I knew the passage of a proper exclusion bill would destroy every dollar's worth of trade between us and China, I should vote for the exclusion bill. I know that the trade between here and China is not worth the admission of Chinese hordes into this country, and if I had to choose between the two I should take the exclusion."

The PNTR Debate of the year 2000 is not about "Oriental exclusion," as the Americans of 100 years ago called it. But it is nonetheless eerily similar in the degree of emotionalism, the intensity of the antagonism, and the complexity of the multiple domestic agendas again surrounding a China policy issue within our country. Our ambiguity toward China is unchanging, reflected again in the booming assaults now under way against the humble decision facing the Congress: to continue without threat of revocation a standard, non-discriminatory tariff regime for Chinese products entering the United States.

On the merits, PNTR brings equality of commercial and economic opportunity to the United States; without it we forego those chances. Both sides in this debate know that. This simple truth, and the facts discussed above, will ultimately prevail over the carefully crafted misstatements and diversions of PNTR's well-armed opponents. But it is clear from the escalating conflict over PNTR that now confronts us that this truth and these facts cannot be restated often enough.


**THE US-CHINA BUSINESS COUNCIL**

*Letter from the President*

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**Robert A. Kapp**
**PRESIDENT, THE US-CHINA BUSINESS COUNCIL**

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# In Full and On Time

**A**fter ten years of furious but sporadic activity on the periphery of the US-China relationship, the US Congress has arrived at its moment in the sun. It, and only it, will decide in the year 2000 a critical issue of American international economic and foreign policy, an issue with powerful implications for American national security as well. This decision entails more than the enjoyment of critical economic opportunities for Americans in the international economy. Much, much larger questions about the future of the US-China relationship and China's role in world affairs—and about China's evolution along paths that all Americans hope China will choose—revolve around this fateful legislative decision.

The decision is, of course, whether to accord to the People's Republic of China Full WTO Member Treatment, in the form of PNTR—permanent Normal Trade Relations treatment for imports from China.

## **The US-China WTO agreement of November 15, 1999**

The US-China agreement on the terms of China's WTO accession reached in November 1999 is the single most significant example of positive US influence on China's behavior since the establishment of diplomatic relations in 1979. It demonstrates the power of effective negotiation, and the value of real, hard-nosed, and professional engagement with China on issues of substance and detail. "Sending messages to China" has never brought about the level of commitment to internal change that this carefully wrought and wide-ranging agreement has accomplished.

With the remarkable US-China bilateral agreement in hand, China's full-fledged participation in the global rules-based trading system is a very big step closer. The United States will now support China's WTO entry when the WTO makes its final decision, since Uncle Sam

secured from China the concessions and commitments necessary to defend and advance the interests of US producers, farmers, exporters, service providers, investors, and consumers.

*The market-opening commitments secured by American negotiators in November will be included in the final documents defining China's WTO accession, and cannot be weakened.*

With China's accession to the WTO now in view, the rest of the WTO's 135 members are ready to enjoy the broad array of opportunities opening to them. From Day One of China's WTO membership, they will automatically provide to China and receive from China Full WTO Member Treatment in all areas defined by the WTO's own codes and by China's specific commitments.

*Will the United States now grasp the opportunities our own negotiators have wrought, or will the United States choose to turn away from key elements of that package of opportunities, even as our competitors enjoy them?—That is the question before Congress.*

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**BRING THE****BENEFITS OF****CHINESE WTO****ACCESSION****HOME TO****AMERICANS****The WTO: the rule of law in international trade**

The WTO, like its predecessor the General Agreement on Tariffs and Trade (GATT), is the world's common defense against international trade anarchy and economic chaos, which helped drive the world to totalitarianism and war in the 1930s. WTO rules and commitments liberate market forces and open markets, while providing safeguards against predatory trade practices that violate agreed-upon norms of openness and reciprocity.

At the core of the WTO compact are the common extension of WTO rights to, and the common acceptance of WTO obligations by, all members.

This is PNTR—Permanent Normal Trade Relations, as we call it in the United States. The first lines of the first provision of WTO rules require each WTO member to extend to all other WTO members the best trade treatment it offers to any of them—in other words, Permanent NTR. Giving and receiving PNTR is the cornerstone of the WTO relationship among members, a relationship that in its turn extends far, far beyond tariffs.

To fail to extend PNTR to another WTO member is to refuse to extend Full WTO Member Treatment—and to forfeit, in turn, the member-to-member WTO relationship.

For other countries, this is a non-problem; Full WTO Member Treatment is automatic for any new WTO member.

For the United States, it's different. In 1974, seeking to compel the now-defunct Soviet Union to permit the emigration of certain Soviet citizens, the United States enacted into law the Jackson-Vanik Amendment to that year's Trade Act. Jackson-Vanik mandates one-year-at-a-time extension by the White House of plain-vanilla NTR tariffs on goods from non-market economies, with the presidential extension vulnerable in any year to congressional overturn on any grounds.

After the United States and China opened diplomatic relations and signed a bilateral trade agreement in 1979, US-China relations developed in a Cold War environment of common concern over Soviet intentions. Jackson-Vanik's provisions for possible cancellation of standard American tariffs lay dormant for ten years.

Since 1990, following the televised tragedy of Tiananmen, the nation has witnessed a decade of annual summer fireworks over an inevitable legislative proposal to kill NTR, close American markets to Chinese imports, and push US-China relations onto the rocks.

Each year, however, those who have led the fight to kill US-China trade have failed. In recent years the strong margin of victory in the United States for advocates of continued non-preferential trade relations with China has reflected the broad bipartisan consensus that stable economic engagement with China offered a more promising avenue for the pursuit of American material and ethical interests with the PRC than did a unilateral declaration of economic war.

**A critical choice**

With the US and Chinese governments now agreed in writing on China's remarkable commitments to market-opening and internal economic reform as conditions of WTO accession, however, Congress faces new issues.

Now, Congress must decide *not* whether to destroy existing economic relations with China, but whether to sustain Normal Trade Relations over the long term, and whether to support the building of a more secure and durable US economic relationship with a China now bound by its obligations to WTO rules and standards.

As China approaches WTO accession, heavily on American terms, the US Congress has the choice:

*Do we bring home to American exporters, farmers, workers, and consumers the benefits of China's massive commitments to open its markets, permit foreign participation in formerly closed economic sectors, reduce tariff and non-tariff barriers, reform its standards of economic conduct, and submit to the binding obligations of WTO rules and regulations*

**HEAD OFFICE**

1818 N Street, NW, Suite 200  
Washington, DC 20036  
USA  
Tel: 202/429-0340  
Fax: 202/775-2476  
e-mail: info@uschina.org

**BEIJING**

CITIC Building, Suite 902  
19 Jianguomenwai Dajie  
Beijing 100004, China  
Tel: 8610/6592-0727  
Fax: 8610/6512-5854  
e-mail: uscbc@eastnet.com.cn

**SHANGHAI**

Jinjiang Hotel, 2312 West Bldg.  
59 Mao Ming Road  
Shanghai 200020, China  
Tel: 8621/6415-2579  
Fax: 8621/6415-2584  
e-mail: uscbc@uninet.com.cn

**HONG KONG**

2802 Admiralty Centre  
Tower 1, 18 Harcourt Road  
Hong Kong  
Tel: 852/2222-6202

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Or do we say to China,

*"Thanks for the concessions; we don't want them after all.*

*"Thanks for the detailed commitments rapidly to open your markets and dismantle the apparatus of discrimination against us, rooted in ancient history and Leninist secrecy and Maoist dreams of self-sufficiency. We don't want those commitments, either.*

*"Thanks for the historic decisions you have made—at our insistence—to drive the Chinese economy rapidly away from Stalin-Mao economics and toward market economics, whose principles lie at the core of Americans' conceptions of social and economic justice. Those decisions, on second thought, don't merit our endorsement.*

*"And, by the way, about all those iniquities we've objected to for so long: the partiality of your legal and judicial system, the intolerable bureaucratic obstacles to economic cooperation, the opacity of your decisionmaking processes—we prefer to live with them after all. We know you're going to improve your behavior toward the rest of the WTO's members, including our toughest competitors. But don't worry about us: we'll stick to the old system, arm wrestling alone with you to the brink of trade war instead of turning to the world's dispute-resolution mechanisms when we've got a gripe."*

That is America's choice as we approach the PNTR decision.

The choice is about delivering to Americans the fruits of what we have ourselves achieved at the negotiating table.

It is about realizing American opportunities in the global economy, instead of "sending messages" abroad while handing hard-won, real opportunities to our competitors.

It is about encouraging the evolutionary changes within China that American critics of the PRC have long demanded, instead of providing aid and comfort to the defenders of a beleaguered status quo inside China that congressional critics have denounced unremittingly for more than a decade.

It is time to approve PNTR, end the numbing annual NTR exercise, and bring home to American producers, farmers, exporters, investors, and consumers the benefits our negotiators have finally won—**IN FULL AND ON TIME.**

**February 23, 2000**

## **An Open Letter In Support of China PNTR From America's Creative Industries**

America's creative industries strongly support Congressional approval of Permanent Normal Trade Relations (PNTR) for China.

We are writing in response to suggestions that China's alleged failure to live up to its commitments under the 1995 U.S.-China Intellectual Property Rights Agreement should disqualify it from membership in the World Trade Organization and from the benefits of full WTO membership treatment, embodied in PNTR.

In the 1990s, America's copyright industries took the lead in pressing the case against China's serious violations of U.S. intellectual property rights; in particular, the massive export of pirate and counterfeit optical media and other pirated products throughout the world. Widespread abuse of intellectual property rights was causing billions of dollars in losses each year to American creative industries and to the U.S. economy. Working with the U.S. Government, we spared no effort to bring about the 1995 bilateral intellectual property rights agreement, and to ensure that China abided by those commitments, which resulted in the 1996 China enforcement "Action Plan."

Having worked so hard in the last decade to force the issue of intellectual property rights protection upon a reluctant China, why do we stand united in support of PNTR for China today?

- Because we are convinced from our own experience that inclusion of China within the framework of multilateral rules and obligations embodied in the WTO is the single best instrument we have to ensure continuing improvement in China's protection of intellectual property;
- Because we know, first hand, that multilateral enforcement through the WTO offers a far more promising method of ensuring continued progress in China's intellectual property environment than does the threat of unilateral retaliation against China;
- Because China committed in the WTO negotiating process to bring its copyright (and other IPR sectors') regime into compliance with its substantive and enforcement obligations under the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS), and to do so immediately upon accession. We believe China has commenced its efforts to meet this commitment.
- While piracy remains very high within the domestic Chinese market, China met its principal commitment under the 1996 Action Plan — to stem the flow of exports that were disrupting other developed markets on a global basis;
- Because the US copyright sector, so critical to America's economic strength today, will cede to our global competitors the massive opportunities America

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has won at the negotiating table if the United States does not establish full WTO member treatment for China in the form of PNTR.

In spite of real progress on intellectual property protection since the 1996 agreement, problems in China remain, as they do in many countries with which the U.S. trades. Chinese companies themselves, an increasing number of which likewise depend upon intellectual property protection, are recognizing the importance of Chinese adherence to international standards of protection, as embodied in the TRIPS Agreement. This trend will only accelerate through PNTR and Chinese accession to the WTO. Looking ahead, America's ability to address China within the framework of the WTO is a vital tool for the preservation of our economic rights and the advancement of our national interests.

We are encouraged by the concern expressed about China's record on IPR enforcement and submit that the best way to drive improvements in Chinese performance is to approve PNTR, and to hold regular hearings to ensure that China is meeting its various obligations, including, in particular, the enforcement obligations that it will undertake pursuant to the TRIPS Agreement by which it will become bound.

The companies and associations most vigorous in insisting on improvement of China's intellectual property rights regime over the past decade are united in support of PNTR in the year 2000. We do not accept the suggestion that China's intellectual property track record since the signing of the 1996 bilateral agreement constitutes a justification for Congressional rejection of PNTR in the year 2000. Indeed, we believe that PNTR and the entry of China into the WTO will serve to advance the cause of intellectual property protection in China, a matter of considerable importance to America's creative workforce.

We strongly urge Congress to support China PNTR in 2000.

Sincerely,

Robert Holleyman, II  
President and CEO  
Business Software Alliance

Douglas Lowenstein  
President  
Interactive Digital Software Association

Kathy Morgan  
Chairman  
AFMA

Edward Murphy  
President and CEO  
National Music Publishers' Association

Hilary Rosen  
President and CEO  
Recording Industry Association of America

Eric Smith  
President  
International Intellectual Property Alliance

Patricia Schroeder  
President and CEO  
Association of American Publishers

Jack Valenti  
President and CEO  
Motion Picture Association of America

Ken Wasch  
President  
Software and Information Industry Association

3/7/00 12:30 p.m.  
Orzulak

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

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

Last fall, as many of you know, America signed an agreement to bring China into the World Trade Organization on terms that will dramatically open its market to American products. When China concludes similar agreements with other countries, it will join the WTO. But for us to benefit [on full and equal terms][on equal terms] from China's entry, we must first grant it Permanent Normal Trade Relations status [ which is the same arrangement we have given to 132 of the 134 countries in the WTO. ] Today, I am submitting legislation to the Congress that will do just that.

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Cuba  
Kosovo

Barack's by

Orzulak's by

Let me be clear: the vote the Congress is going to take this spring is not on whether China will join the WTO; it is only on whether the United States will share in the economic benefits. A vote against PNTR will cost America jobs because our competitors in Canada, Europe, and Asia will capture part of the China market that we otherwise could have served.

At the same time, I understand that members of Congress are much more likely to vote for PNTR if they understand why it is in America's fundamental interest to bring China into the WTO, and

why we made the choice we made last fall. So I'm going to work as hard as I can to encourage Americans to embrace that choice. Because I believe with all my heart that the agreement we reached represents the most significant step??? we have taken to create both jobs in America and positive change in China since President Nixon first went to China nearly three decades ago.

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

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

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

Through all this upheaval, there has been one constant: America's stake -- our profound national interest -- in the outcome. For the past 30 years, every American President, without regard to party, has worked for a China that contributes to the stability, not the instability, of Asia; that is open to our products; that upholds the rule of law at home and plays by international rules around the world. There is a simple reason. We are a nation that has fought three wars in Asia in the 20<sup>th</sup> Century. But we are also a nation that cherishes liberty and believes that if people are free to

*Pacific alliances + military commitments  
↳ alliances with everything*

make their own choices, the world will be a safer and more prosperous place.

If we had a crystal ball, we could see exactly what China will look like in 20 years. But we don't. Every nation defines its greatness in different ways, and every nation makes its own choices. We don't know what choices China will make. But we do control the choices we make. We can work to move China in the right direction; or we can turn our backs and almost certainly send it in the wrong direction. I believe the this WTO agreement will move China in the right direction, and advance the goals America has worked for in China the past 30 years. I want to talk today about how and why.

This has been called a free trade agreement. But let's understand from the beginning: it is not like most trade agreements. ~~Usually,~~ [Note: Most agreements are not free trade agreements, so we cannot say "usually".] <sup>comprehensive</sup> When we sign ~~many~~ trade agreements, we have to weigh the benefits of opening another country's markets against the dislocations that can take place when we open our markets further. But this agreement is the trade equivalent of a one-way street. It requires China to open its markets to our products and services across virtually all sectors of its economy [Note: what also makes this agreement unique is the grand scope of it], but all we agree to do is maintain the market access that we already give to China. It does not change our tariffs one bit. This is the kind of agreement every country wishes for or works toward, the kind you get maybe once in a generation.

C.B.

We are a country with four percent of the world's population. If we're going to continue to prosper in the 21<sup>st</sup> Century, we had better be selling more and more things to more and more people around the world. And where better than China? With more than a billion people -- over one-fifth of the world's population -- China is the biggest potential market in the world, and under China's WTO accession agreement, America will gain unprecedented access to it.

Chinese tariffs in every sector, from telecommunications products to automobiles to agriculture, will fall by half or more over five years. For the first time, our companies will be able to sell and distribute products in China made by workers here in America [emphasis supplied], without being forced to relocate manufacturing to China, sell through a government middle-man, or transfer valuable technology or operations to China. We'll be able to export products without exporting jobs. Meanwhile, we'll get new safeguards against any surges of imports from China.

*already preparing for the largest enforcement effort ever given to any trade agreement.*

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

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

And most of their concerns are absolutely legitimate.

Those of us who support the China WTO agreement are under no illusion about the government in Beijing. It is a one-party state that does not tolerate opposition. It denies its citizens the most fundamental rights of free speech and religious expression. It defines its interests in the world in ways that are often at odds with our own. But let me be very clear: the question is not whether we approve or disapprove of conditions in China. The question is, what can we do to improve them?

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

To understand how, it's important to understand why China is willing to do all of this in the first place. Why they are doing this is just as important as what they are doing.

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

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

Meanwhile, its workforce is increasing by 12 million each year. At least 100 million people in China are still looking for work. And economic growth has slowed just when it needs to be rising to create new jobs. It's ironic: many Americans are legitimately concerned about the danger a strong and successful China could pose to us in the 21<sup>st</sup> century. But the danger of a weak China, beset by internal chaos and disintegration is also real, and China's leaders know it.

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

With this agreement, China has chosen reform, despite the risks. The question for America is: do we want to play a constructive role in encouraging those reforms? Or do we want to reject China's choice, stand aside, and perhaps make failure a self-fulfilling prophecy? I think that would be a mistake of historic proportions. This is a choice we must embrace, for our own good and the good of the world.

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

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

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

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

Under this agreement, some of China's most important decisions, for the first time, will be subject to the review of an international body. China is conceding that governments cannot behave arbitrarily either at home or abroad, that their actions are subject to rules consistently applied. Opponents say that doesn't matter; China will just break its promises. But if it does, we're still better off, because it won't be able to blame U.S. bullying. Its actions will be subject to rules embraced and judgments passed by 135 nations.

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

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

But there is something even more revolutionary at work here. By taking this step, by slashing the tariffs that protect its state-owned industries, China is speeding a process that is removing government from vast areas of its people's lives. This step effectively takes the command and control out of communism.

Let's not forget how communism works. In the past, virtually every Chinese citizen woke up in an apartment or house owned by their government, went to work in a factory or farm run by their government, read newspapers published by their 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.

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

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

900,000 villages.

When asked why, one Party official in Shenyang said: "This is the beginning of a process. We realized that in order to improve social control, we have got to let the masses have a say." This isn't the first time a communist country has taken this gamble. But the genie of freedom will not go back in the bottle. As Earl Warren once said: "liberty is the most contagious force in the world."

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

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

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

I think China is going to learn what every other nation is learning as we embrace this knowledge-based economy: you can't expect people to be innovative economically while being stifled politically. Bringing China into the WTO doesn't guarantee it will choose political reform. But accelerating the process of economic change will force China to confront that choice sooner, and it will make the imperative for the right choice far stronger. And again, if China is willing to take this risk, how could we possibly turn our backs?

This is not to say that the WTO alone will accomplish the goals of our policy toward China. Nobody who supports China's membership, for example, believes that bringing China into the WTO is, by itself, a human rights policy for the United States. Change will only come through a combination of internal pressure and external validation of China's human rights struggle. And we must maintain our leadership in the latter, even as the WTO agreement contributes to the former.

That's why we sanctioned China under the International Religious Freedom Act last year. It is why we are again sponsoring a resolution in the UN Human Rights Commission condemning China's human rights record. We will continue to press China to respect global norms on non-proliferation. And we will continue to reject the use of force as a means to resolve the Taiwan question, and make absolutely clear that the issues between Beijing and Taiwan must be resolved peacefully and with the assent of the people of Taiwan.

In other words, we must and will continue to defend our interests and our ideals with candor and consistency. But we will not and cannot do so by isolating China from the very forces most likely to change it, the very forces already empowering its people to build a better future.

If we did that, it would be a gift to the hard-liners in China's government who don't want their country to be part of the world. Keep in mind: These are the same people most eager to settle

differences with Taiwan by force. The same people most threatened by our alliances with Japan and South Korea. The same people who would like to keep the Chinese military in the business of selling dangerous technologies around the world. The same people whose first instinct in the face of opposition is to throw people in prison camps.

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

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

Most of the evangelicals I know who have missions in China also want China in the WTO because they know that it will encourage freedom of thought and more contact with the outside world. Many of the people who have paid the greatest price under Chinese repression agree, too. Ren Wending is one of the fathers of the Chinese human rights movement. In the late 1970s, he was thrown in prison for founding the China Human Rights League. In the 1980s, he helped lead

the demonstrations at Tiananmen Square. In the 1990s, he was thrown in prison again. Yet, he says of this deal: "before, the sky was black, now it is light. This can be a new beginning." For these people, fighting for freedom in China is not an academic exercise or a legislative debate, it is their life's work. They are telling us that this is the right thing to do.

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

Record Type: Record

To: Paul K. Orzulak/NSC/EOP@EOP  
cc: See the distribution list at the bottom of this message  
bcc:  
Subject: Re: Revised POTUS China Remarks to SAIS

This is an excellent speech. Some comments:

Page 1, para 2:

"...arrangements we have given to 132 of the 134 **OTHER** countries in the WTO." There are currently 135 countries, so 134 other than the U.S.

Page 4, line 2, rewrite as:

"We'll be able to export products, not export jobs."

Although the 'export jobs' wording always leaves economists uncomfortable (we have the lowest unemployment rate in 30 years, and it wouldn't be any lower), it is correct that we'd have slightly different jobs, and different-paying jobs. As written, however, the phrasing seemed to suggest that formerly, exporting products required that we export jobs, which is NOT correct by any interpretation.

Page 4, first full paragraph, last sentence:

*true* "and gave up the competitive edge we've earned" doesn't make sense. We don't HAVE a competitive edge from WTO; rather, we have a level playing field. "giving a competitive edge to Europe, Japan, and others" would be accurate.

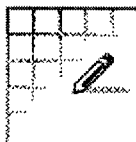
Page 5, second full para:

*?* The second full sentence ("It is linking so many new people...") doesn't really seem to fit there. It might fit better on page 9, in the discussion of the information age. I would recommend replacing it with a sentence like: "Average standards of living [GDP per capita] have risen nearly five-fold"

Page 6, paragraph beginning "Let's not forget", second sentence:

*uk* The Great Wall was begun more than two millenia ago. Why not replace "centuries" with "millenia"?

Paul K. Orzulak



Paul K. Orzulak  
03/07/2000 02:57:20 PM

And think about what this agreement could mean to our auto industry. Tariffs will fall by nearly 75 percent. The requirement that we rely on Chinese distribution is eliminated, as is the requirement that we have to transfer our technology. American manufacturers will now, for the first time, be able to sell American-made cars in China, to set up their own distribution centers, to run their own service shops, and to provide their own financing to consumers. It means that we're going to sell more American cars and auto parts in China, which means more jobs here at home.

Now, most Members of Congress don't even question those benefits. Critics are more likely to say: China is a growing threat to Taiwan and its neighbors, and we shouldn't strengthen it. Or, China is a drag on labor and environmental rights, and we shouldn't engage it. Or, China is an offender of human rights, and we shouldn't reward it. Or, China is a dangerous proliferator, and we shouldn't empower it. And all those concerns will be absolutely legitimate.

But this debate should not be defined as economic rights versus human rights – or economic security versus national security. That is a trap, it's a false choice. This agreement is just as vital – if not more vital – to our national security as it is to our economic security. It promotes both jobs in America and progress toward change in China.

Over the past 20 years, China has made a lot of progress in building a new economy, lifting more than 200 million people out of absolute poverty. It is linking so many people through its wireless communications network that it is adding the equivalent of a new Baby Bell every year. But its system is still plagued by corruption. Less than one-third of its economy is private enterprise. Meanwhile, its workforce is increasing by 12 million each year. At least 100 million people in China are still looking for work. And economic growth has slowed just when it needs to be rising to create new jobs.

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

With this agreement, China has chosen to embrace change, despite the risks it entails. The real question for America is: do we really want to reject that choice? That would be a disastrous mistake. We need to embrace it, and that is what the WTO agreement does. It advances our interests by encouraging China to meet, not muzzle, the growing demands of its people for openness. Rather than working from the outside-in, it will work from the inside-out to move China in the right direction, in at least three ways.

Number one, having China in a rules-based system increases the likelihood that China will follow the rules of the road in terms of the international economy.

Under this agreement, some of China's most important decisions, for the first time, will be

Lonke

**THE WHITE HOUSE**

**Office of the Press Secretary**

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**EMBARGOED FOR RELEASE  
UNTIL 12:30 P.M. EST  
WEDNESDAY, FEBRUARY 2, 2000**

As Prepared for Delivery

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

**The Woodrow Wilson International Center for Scholars  
Washington, D.C.**

**February 2, 2000**

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

There's more than one foreign policy Noah in this distinguished audience. Indeed, Lee Hamilton himself comes with an entire Ark. For more than 30 years, Lee brought a steady hand to foreign policy in Congress, with the emphasis always on patriotism, not partisanship. I thank him for that.

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

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

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

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

But before America can realize the full market-opening benefits of Chinese entry into the WTO, Congress must answer a simple question: will it grant China permanent Normal Trade Relations status, which is the same arrangement we have given to 132 of the other 134 countries in the WTO. Doing so is necessary to guarantee the full market-opening benefits of the agreement we negotiated with China. Or will Congress turn its back on the sweeping changes China has agreed to make and risk losing ground on the issues we all care about?

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

For years, China has had open access to our markets, while its markets have been in many ways closed to American products and services. This agreement requires China to make wide-ranging new concessions to open its market, while we have agreed only to maintain the market access policies we already apply to China. Denying China PNTR simply would deprive American companies and workers of the full benefits of China's concessions – the favorable market access and dispute settlement that our European, Japanese, and other competitors will have.

This agreement will dramatically reduce China's tariffs on everything from agricultural and industrial products to computers and semiconductors. It directly responds to concerns about unfair trade practices in China and allows our businesses to export to China from here at home, and have their own distribution network in China, rather than being forced to set up factories there to sell products through Chinese partners.

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

Consider the auto industry. Right now, a car made in Dearborn faces an 80 to 100 percent tariff before it can be sold in China --which prices us out of the market. If you want to sell cars in China, you need to base your operations in China. To do that, you must form a joint venture with a Chinese state-run enterprise and give it at least a 51% stake. You also must agree to transfer a significant amount of your technology to China, and teach the Chinese how to use it -- which means you are transferring both your product and expertise to your eventual competitors. And because of local content requirements, most parts have to be made in China, too.

In addition, Americans cannot now directly run parts distribution centers in China, so once your parts are made, Chinese partners have to sell them for you. Americans are not allowed to directly own service centers, either. And all this assumes that Chinese consumers can buy the cars in the first place, because the only financing that is allowed in China is through state-run banks -- and they don't make loans for cars. Little wonder that there are many times more bicycles in China than automobiles.

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

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

For our part, we must grant China permanent normal trade relations status. It's important to understand what that means: it simply means that we will give China the same tariff schedule we apply to most every other nation in the world, and China will do likewise. It would eliminate the annual vote on China's trade status, which we do not apply to any other WTO member. Some have said we need the annual vote to address other concerns we have with China, on human rights, proliferation, or religious freedom. But Congress always has the authority to address any part of our relationship with any nation, including China. The annual China trade vote has not been an effective instrument. It simply has affirmed our trading relationship with China for 20 years in a row. What permanent normal trade relations status for China will do is get us out of the cycle we are now in, where the future of Chinese trade comes up every single year for a divisive and not very effective vote.

The economic benefits of this deal to America are clear. If Congress votes no, we risk losing the full, enforceable market access benefits of the agreement, as well as the special protections we negotiated. In a global economy, where global markets are essential, American businesses and workers would be put at an enormous disadvantage, essentially shut off from one fifth of the world. It would be a self-inflicted wound for the economic health of America.

But I believe the economic benefits are only the beginning of the argument. For I am convinced that this agreement is as vital to our national security as it is to our economic security.

Our nation has a tremendous stake in how China evolves. We are a Pacific nation which fought three wars in Asia in the 20<sup>th</sup> Century. Our future is tied to Asia. And the stability of Asia -- economically, politically and militarily -- is inextricably entwined with the stability and direction of China. As China develops, the path it illuminates or the shadow it casts will be felt far from its own borders.

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

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

In the last 20 years, China has made remarkable progress in building a new economy, lifting more than 200 million people out of absolute poverty. One incredible result is that China now has the largest wireless communications network in the entire world, and is linking so many people to one another that it is adding the equivalent of a new Baby Bell every year.

But China faces daunting problems as well. Its working age population is increasing by more than 12 million people -- equal to the population of New England -- every year. Tens of millions of peasants are migrating from the countryside, where they see no future, to the city, where only some find work. China's political system is plagued by corruption. Its air is so dirty that 25 percent of all deaths in China over the age of five come from chronic respiratory disease, four times the U.S. rate. And China's economic growth has slowed just when it needs to be rising to create jobs for the unemployed and maintain support for economic reform.

For all the progress of China's reforms, private enterprise still accounts for less than one-third of its GDP. China's state banks still are making massive loans to struggling state firms, the sector of the economy least likely to succeed. In other words, China cannot maintain stability or ensure prosperity by maintaining the status quo.

What does this mean for us? As the President said when Premier Zhu Rongji visited Washington last year, "if we've learned anything in the last few years from Japan's long recession and Russia's current economic troubles, it is that the weaknesses of great nations can pose as big a challenge to America as their strengths." So as we focus on the potential challenges that a strong China could present to the United States in the future, let us not forget the risks that could be posed by a weak China, beset by internal conflicts, social dislocation, criminal activity, and large-scale illegal emigration -- a vast zone of instability in Asia.

Our interest lies in encouraging both stability and change in China by encouraging it to meet, not stifle, the growing demands of its people for openness, accountability, freedom and reform. Bringing China into the WTO will help in three ways.

First, this is not just an agreement to expand trade between our two countries. It will obligate China to deepen its market reforms and open its economy to the world. It will increase the pace of change in China.

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

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

U.S. companies are the leaders in the Chinese market in developing human resources -- by emphasizing teamwork and respect for individual rights. In turn, more and more, Chinese firms are learning that unless they change their working style and treat employees with respect, they will lose out in the competition for top talent. This process will only accelerate as China joins the WTO, and we should do all we can to encourage it, because it will lift the standards of Chinese workers -- and their expectations.

Second, by accelerating economic change, the agreement we reached also has the potential to encourage China to evolve into a more open society.

In ways that are incomplete, but nonetheless real for millions of ordinary Chinese citizens, China's economic opening already has given its people greater scope to live their lives. Take Shanghai, for example, the city that has been most open to international influence. Ten years ago, people in China did not own their own homes. Today, 25 percent of Shanghai residents are homeowners. When reforms began, there were no supermarkets, and citizens had to buy food from state-run outlets using coupons. Today, there are more than 1,000 supermarkets and no more rationing of food. A decade ago, Chinese citizens could rarely travel in or out of their own country. Last year, on New Year's Day, airlines added more than 250 flights to international destinations from Shanghai alone. Nationwide, China has seen the emergence of more than one million nonprofit and social organizations -- professional associations, consumer groups, tenant organizations, environmental groups; a 2,500 percent explosion of print and broadcast media; and local elections in the vast majority of the country's 900,000 villages.

Let us understand: these changes do not mean that the people of China enjoy political freedom. Chinese authorities still tolerate no organized political dissent or opposition, and no challenge to the Communist Party. Over the past year, we have seen an increase in its crackdown on political activities and dissent; stepped-up controls on unregistered churches; the suppression of ethnic

minority groups, especially Tibetans; and the imprisonment of even more dissidents whose only crime is free speech. Because the Communist Party's ideology has largely been discredited in China, and because it lacks the legitimacy that can only come from democratic choice, it seeks to maintain its grip by suppressing other voices.

So let me make very clear: This agreement is not, by itself, a human rights policy for the United States. We must and we will continue to speak out on behalf of people in China who are persecuted for their political and religious beliefs. That is why we pushed for the release of Dickinson College librarian Song Yongyi, who was released just last week. That's why we sanctioned China as a "country of particular concern" under the International Religious Freedom Act last year. That's why we sponsored a resolution last year in the UN Human Rights Commission condemning China's human rights record and why we're doing it again this year. We will continue to press China to respect global norms on non-proliferation; to encourage a peaceful resolution of issues with Taiwan; to urge China to be part of the solution to the problem of global climate change.

With or without this WTO agreement, we will need to continue to work in all these areas. At the same time, I believe this agreement will reinforce and complement these efforts, and help move China in the right direction in fundamental ways.

For example, in the past, the Chinese state was every citizens' employer, landlord, shopkeeper, and news provider all rolled into one. By advancing privatization, this agreement will accelerate a process that is removing government from vast areas of people's lives.

By giving investors and property owners predictability and protection against arbitrary government action, it reinforces the idea that individuals have rights. This will give added impetus to those trying to strengthen the Chinese legal system in a way that allows citizens to hold their government truly accountable.

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

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

In the end, as China opens to the information economy, it can succeed only as it liberates the minds of its people and empowers the individual. In this age, you cannot expect people to be creative economically and frozen politically. At the same time, China may discover that people are far more willing to tolerate wrenching economic change when they have a say in the

decisions that affect their lives. Compare the fates of the governments of an autocratic Indonesia and a democratic South Korea as they faced the Asian financial crisis over the past two years. Bringing China into the WTO doesn't guarantee it will make the right choice for political reform. But by accelerating the process of economic change, it will force China to confront that choice sooner, and make the imperative for that choice far more powerful.

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

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

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

Quite simply, it applies to China the basic principle at the heart of the concept of the rule of law: that governments cannot behave arbitrarily at home or abroad, that their actions are subject to rules consistently applied. Remember, China is choosing to embrace these obligations. As China becomes a stakeholder in the WTO and other international regimes, it will be more likely to accept the legitimacy of international norms, and define its future within the international community, not outside of it.

I know some say that if China is allowed to join the WTO, it actually will undermine our effort to strengthen global norms in two very important areas: labor rights and the environment. But the fact is, most of the members of the WTO already are developing countries, with the same concerns that trading rules not become an instrument to restrict their growth. China's membership won't change that equation. And considering the fact that China is home to one-fifth of the world's people and the source of a rising share of greenhouse gas emissions, it is hard to imagine an effective global effort to meet those environmental challenges without China.

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

First, China is pledging to open its economy and its markets not just as a means of getting in the WTO, but because most of its leaders believe reform is in China's interest.

Second, as a member of the WTO, non-compliance by China is subject to dispute resolution under the WTO; like any other country, China will confront judgments backed by a 135-member body, rather than being able to chalk up friction to supposed U.S. bullying. Right now, if China treats our products unfairly, we have no recourse, short of pulling the plug on trade.

This agreement increases our leverage with China in the event of a future trade dispute. If China does not comply with adverse rulings by the WTO, we are entitled to take equivalent action against China.

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

The question is not whether or not this trade agreement by itself will cure serious and disturbing issues of economic and political freedom in China; the issue is whether it will push things in the right direction. President Clinton believes it will. Some of the most courageous proponents of change in China agree. Martin Lee, leader of Hong Kong's Democratic Party, says that without entry to the WTO, "any hope for the political and reform process would also recede." And Chinese dissident Ren Wanding said upon the deal's completion: "Before, the sky was black. now it is light. This can be a new beginning."

It is our shared conviction that supporting this agreement is a new beginning. It is the right thing for America, for China, for Asia, and for the world. It will increase the chance that China will define its future within the international community, and move toward a more open society that upholds the rule of law. That is what is at stake in this debate. Let us have the wisdom to choose wisely. Thank you.

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3-7-00

THE WHITE HOUSE  
WASHINGTON

March 6, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: GENE B. SPERLING

SUBJECT: CHINA WTO

*To speak  
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on this*

*Paul Orzabal  
Soral  
78*

I have attached a speech I recently gave at the Economic Strategy Institute on economic freedom in China in case it is helpful as you prepare for your upcoming speech on Wednesday.

*Copied  
Edmonds  
Shaw  
Sperling  
Podesta*

# WTO ACCESSION AND ECONOMIC FREEDOM IN CHINA

## Revised Text of Delivered Remarks

Gene B. Sperling, Director  
National Economic Council

Delivered at the Economic Strategy Institute, Washington, DC  
February 23, 2000

Thank you. Thank you. And thank you Peter Morici, Director of Trade Studies at ESI, for that very generous introduction.

And let me take this opportunity to extend a warm thanks to Clyde Prestowitz, President of the Economic Strategy Institute, who is on the road today and could not be with us, and the whole staff at ESI for performing a real public service in organizing this series on the China PNTR vote. We in the Administration welcome a vigorous discussion because we're confident that the more the American people know about the China-WTO agreement we negotiated in November, the more that they will support it.

I'd like to talk today about some of what we think are some of the misconceptions concerning the WTO Accession and why we feel that this agreement, in addition to being beneficial for the U.S. economy, will also be beneficial in pushing economic freedom within China itself.

### **Misconception 1: The Agreement Is Something Different Than One Way Market Access**

The first thing all of us who are seeking to communicate the benefits of the China-WTO Accession agreement need to do is to make sure that people understand the nature of China's accession. Many have erroneously come to perceive this deal as a free trade agreement along the lines of NAFTA or any other supported by this Administration. With a free trade agreement, one has to make the case that the benefits of opening up another country's markets are worth whatever possible dislocations can take place by also opening up your own market. The China WTO agreement, however, is an accession agreement. The pros and cons of arguments on free trade agreements do not pertain to this debate over this China-WTO agreement.

As Charlene Barshefsky and I stated when we came to the final agreement in Beijing, this deal is a win-win for both countries. At the same time, though, it must be emphasized that when it comes to the process of tariff reduction and market opening, this is a one-way process. This is not an discussion where one has to weigh the differences and debate the potential ups and downs of openings on both sides. This deals represents one way market access. All those who want to accurately communicate the benefits of this deal, and encourage the passage of Permanent Normal Trade Relations (PNTR) with China, need to be very clear in communicating to the public and to Congress that this deal is simply about China opening its markets to us. It does not lower tariffs by one bit.

If the one-way nature of this deal is clearly communicated, it will increase support for China's accession, particularly when it is understood that the rejection of Permanent Normal Trade Relations (PNTR) will mean that we will deny ourselves many of the benefits of the more open markets to China, at the same time as our foreign competitors will enjoy these benefits.

### **Misconception 2: There Are No Protections for American Workers**

A second popular misconception is that when this agreement was negotiated, the focus was simply on reducing tariffs, quotas, increasing distribution rights for our industries -- with no focus on protecting American workers. Nothing could be farther from the truth. When Charlene Barshefsky and I went to Beijing for the final negotiation, at the very top of our agenda was ensuring that adequate protections for American workers against illegal dumping or unexpected surges were part of the deal. And indeed the gains that were won in those areas were exceptional -- 15 years assurance of being able to use non-market economy methodology when making dumping determinations, and a product surge protection for 12 years that is stronger than our existing section 201 law because it allows us to target import surges from China alone, rather than requiring that we make a global assessment of imports under the existing 201 law.

### **Misconception 3: Passage of PNTR is Not Necessary To Get Full Benefits of Deal**

The third misconception that is being promoted is the assertion that while the economic benefits from this deal are clear, we do not need to pass permanent normal trade relations to gain these benefits -- instead we could simply pass annual PNTR. Those who make this case suggest that Article I of the GATT requires unconditional most favored nation status. That we all agree on. Unfortunately that is where the agreement ends. The annual NTR advocates then claim that Article I is completely silent on whether such unconditional MFN must be provided for any specific duration of time. Therefore, they conclude, if the one and only condition -- emigration policies under Jackson-Vanik -- is removed, annual NTR perfectly satisfies the GATT requirement for unconditional normal trade relations.

This argument, which may deserve points for effort, does not deserve much credit on the basis of logic or legal interpretation.

First of all, the lie is intrinsic in the entire rationale for the argument. Removing Jackson-Vanik's condition on emigration hardly makes NTR or MFN status condition-free. Ask this question: why would anyone want to make normal trade relations subject to annual review? So they can flip a coin to see if it should pass? So they should decide depending on the weather that day whether or not you should grant annual review again? Of course not. The sole reason that those opposing this agreement want annual review is to condition it on issues from labor to environment to human rights. We all know that. It would be far more genuine of the annual NTR advocates to simply make this case rather than to try to suggest that if they simply got rid of Jackson-Vanik that somehow there would be no conditions inherent in an annual review. We all know that the only reason that advocates call for annual review is so that they can condition NTR on a variety of factors on a year-by-year basis. If opponents want to make that argument, they should. They should not, however, try to claim that that would somehow satisfy the legal requirements of the GATT.

Second, the very notion that subjecting one country and one country only to annual review is consistent with GATT Article I does not hold water. Article I is written in broad and sweeping language and states that all WTO members grant each other "any advantage, favor, privilege, or immunity" provided to other countries "immediately and unconditionally."

The United States grants normal trade relations treatment to *all* countries with whom we share the benefits of the WTO *without* the condition of an annual review. Subjecting one member to an annual review of its NTR -- whether tied to Jackson-Vanik's specific emigration-related conditions or not -- is a clear and discriminatory *condition* that without question *disadvantages* imports from that country. Why? MFN guarantees the right to non-discriminatory treatment of products both at the U.S. border and after the products enter into commerce within the United States. A mandatory or periodic review of whether products from China will be treated the same or differently from the products of all other WTO members will inject uncertainty and unpredictability into business decisions that will disadvantage imports from China.

Put yourself in the position of any importer. You can buy a product from Indonesia, or buy the same product at 2% cheaper from China. All things being equal, you would rather buy the product from China. Except that you know that every year, there is a risk that that product will be subject to a higher tariff or denied. What person who understands exporting or importing would think that the difference between having an unconditional NTR and having an conditional NTR that subjects a country and a tariff to an annual review would not create a business uncertainty that would obviously disadvantage that product? No-one who understands the business of exporting and importing would maintain that this provides any "advantage, favor, privilege or immunity" immediately and unconditionally to each and every country.

The bottom line is that if we want the full benefits of this agreement, we have to grant China Permanent Normal Trade Relations. It's not only a WTO requirement to do so, it is in our overwhelming national interest to do so.

**Misconception 4: PNTR Supporters Are Giving America's Economic Benefits A Higher Priority Than Human Rights, Labor Rights, Or Economic Freedom in China**

The most serious misconception, however, that I'd like to discuss today is the notion that supporters of PNTR either have a rosier view of the human rights and labor rights situation in China or have made a conscious decision to emphasize economic benefits over human rights. Nothing could be further from the truth.

Those of us who support Permanent Normal Trade Relations must be absolutely candid and clear-eyed about the nature of the regime in Beijing. It is a one-party state that does not tolerate opposition. It denies basic freedoms to its citizens, including freedoms of association and religion. Chinese authorities engage in extrajudicial arrest and the detention of political and religious activists and restrict religious practices. While we may disagree with union leaders like John Sweeney over how we should move forward, we absolutely agree with John Sweeney's summarization of labor rights in China. As he has said, "China suppresses independent worker

organizing and crushes the protests that result. It assumes incorrectly that stability can be based upon repression and exploitation rather than on representation and expression."

Supporters and opponents of PNTR do not disagree over the perception or importance of human rights or labor rights. Our disagreement is simply over what will best move the ball forward.

The fundamental question is not whether this trade agreement by itself will create a pristine democracy overnight in China. It will not. The question is whether or not this policy will move the ball forward or backward -- whether it will make the situation better or worse. Change in China won't be automatic -- we cannot expect it to happen in matter of months. But I do believe that in the long haul, membership in the WTO will encourage China's incipient movement toward economic freedom. And I'd like to explain some of the reasons why.

### **Why This Agreement Will Help Increase Economic Freedom In China**

First, the China-WTO agreement locks in reforms that will have the clear effect of reducing the command-and-control elements of government authority in China and adding momentum towards increased economic liberalization. In signing this agreement, President Jiang and Premier Zhu have clearly made a choice to increase their already dramatic commitment towards reducing the role of government in the economy and moving forward with market-based reforms.

The challenge facing them is daunting. The state-owned manufacturing sector, numbering some 300,000 enterprises, at the beginning of 1999 employed 70% of the urban labor force, generating 30% of industrial output. Nearly 60% of fixed-asset investment and 80% of all business lending was directed toward these industrial dinosaurs. Not surprisingly, these government-controlled enterprises and the state-owned banks that keep feeding them credit are sinking under bad debt.

Meanwhile, China's working age population is increasing by more than 12 million people -- equal to the population of New England -- every year. Tens of millions of peasants are migrating from the country to the city in search of jobs and a better life. While this has occurring, China's economic growth has slowed just at the time when it needs to increase.

Premier Zhu and President Jiang realize that this course, and the greater openness to the outside world it entails, risks generating more domestic pressure for political change. By signing our WTO agreement in November, China's leadership has chosen the path of economic reform despite that risk. Indeed, most knowledgeable observers of China believe that the push for an agreement is very much designed to lock in and make irreversible the forces that would lead to market reform. That's because foreign competition will surely force change upon China's inefficient state-owned enterprises, creating more pressure for their privatization. As the one-party state loosens its grip on the economy, its role in the daily lives of the Chinese people will also change. Writes Nicholas Lardy of the Brookings Institution, "The authoritarian basis of the Chinese regime is gradually eroding, and if successfully implemented, this WTO agreement will contribute to that."

Despite this, some of the same politicians in the United States who have spent much of their entire careers denouncing Communism are now turning their back on an agreement that promises to foster market reform and economic liberalization in what for decades has been the most heavily-populated command-and-control economy in the world.

If Congress rejects Permanent NTR, it will undercut the forward-looking thinkers in China on economic liberalization and play right into the hands of those who would hamstring reform. Indeed, whether one looks at commercial rules, distribution, capital or communications, this WTO agreement promises to weaken the state's hold on commerce in China and move that nation in the direction of increased economic freedom.

### **Example 1: Greater Transparency**

Currently, economic activity in China remains controlled by a government that often bases its decisions upon rules that are not published, and when published, are often vague and unclear. Appeals are made all the more difficult with no public basis for the initial decision.

The WTO requirements of transparency will help reign in this ability of the Chinese state to make arbitrary decisions over economic life.

By requiring the clear publication of quotas and tariff rates – by making them more transparent and public – the arbitrary discretion of local officials to determine whether and at what price a local enterprise can import a foreign product that might be an essential input to a good or service will be taken away. In doing so, this agreement not only promotes economic efficiency for American exporters, it also undercuts arbitrary control and builds up the ability of local entrepreneurs to freely contract with foreign importers based not on party connections but on what makes economic sense. Economic freedom and economic efficiency gain together.

### **Example 2: Less Restricted Distribution/Freer Movement Of Goods**

The same can be said for the free movement of goods. Currently, anybody who does business in China will refer to distribution as, at best, an enormous headache. The Chinese state controls virtually every aspect of the movement of goods: whether a good can be imported at all, the terms under which it enters, who can bring it in, and who can distribute, sell and service it. Importing and exporting, and distribution rights are privileges granted by the Chinese government to only to a few.

China's WTO commitments in these areas are quite significant. The agreement turns these scarcely-allotted privileges into rights which will be widely available to both Chinese and foreign businesses. China has agreed that in 3 years, all individuals and entities in China will be able to import most products into any part of China, and that foreign firms will be able to establish, own and operate their own distribution and related services.

Again, however, the benefits go beyond economic efficiency. Every time the multiple areas in which people must seek permission from the government for distribution or trading are

reduced, the potential for a greater number of business transactions between Chinese entrepreneurs and American entrepreneurs is increased. As the weight of the state on everyday transactions becomes lighter, layers of middlemen are eliminated, and more and more Chinese salesmen, repairmen, and consumers will come into direct and daily contact with each other and with foreign firms.

### **Example 3: Greater Access To Capital**

Consider access to capital. Capital not only feeds economic growth, but also makes possible personal independence. As in other areas of economic life, this WTO agreement -- by injecting competition into China's capital market -- promises to enhance private initiative in China at the expense of state power.

By some estimates, 80 percent of bank lending in China goes to generally inefficient state-owned enterprises, which produce just one-third of GDP. It is not surprising that the line of bad debts in China is a mile long-- 25-40 percent of GDP by most estimates.

WTO accession promises to scale back Chinese government control in banking and finance by letting foreign banks play a more significant role. Clearly, lessons from the Asian Financial crisis, from the problems of Russia to Japan and even our own earlier experiences with the savings and loan crisis, show how essential a functioning, competitive bank system is to economic stability and growth in developed as well as developing countries. Increased foreign presence will bring modern banking practices to China. Domestic banks will be forced by competitive pressure to develop a more western-style "culture of credit."

But again, more is at stake. Monopoly control of capital constitutes a key pillar of power and control of the Chinese government over the economic lives of their people. Through the state-run banks, the government can effectively dictate which companies get funds to grow their operations, and which do not. Stronger bank practices and concrete movement toward a credit culture mean more loans based on economic viability and fewer loans based on government favoritism.

The new rules required under this agreement will reduce an important prop of the one-party state: its control of capital flows. And private citizens and entrepreneurs will find themselves less dependent on the arbitrary largesse of the state when they wish to turn their entrepreneurial ideas into economic reality. Freedom to innovate and grow and create wealth will become more dependent on the power of individual ideas and less dependent on individual connections to those with power in the Chinese government.

### **Example 4: Freer Flow Of Information Through The Internet & Telecommunications**

Perhaps the most liberating aspect of WTO accession is its potential impact on China's state-dominated telecommunications and Internet sectors.

Ideas cannot be shared without the basic tools of communication. Only 12 percent of households in China now have telephones -- a number expected to grow to 22 percent by 2003. And each year over the past few years, China has installed enough phone lines to replace networks the size of Pacific Bell. The number of Chinese Internet users is also exploding. At the beginning of last year, there were approximately 2 million subscribers -- within the next year, industry analysts predict over 20 million subscribers.

This growth will be dramatically fueled by the foreign investment in China's telecommunications sector made possible for the first time ever by the WTO accession agreement. This will be a boom for the American economy and for U.S. companies who have competitive advantages in these areas and in addition, remove Chinese government rules forbidding domestic firms from forming joint ventures with American companies to provide such services.

How will the WTO Agreement enhance people's ability to communicate? It will make the tools of communication cheaper, better, more reliable, and more widely available. It will mean Chinese citizens do not have to go to a government-owned and controlled entity to get telephones or telephone service. It will mean that when a U.S. firm installs an intra-office e-mail in its office in China, a Chinese employee can be in daily touch not only with his colleagues in China, but also with potentially thousands of employees here in the United States. It will mean that American and other foreign companies will for the first time ever be able to invest in and provide telecommunications services directly to China's citizens.

Even today, Chinese citizens can increasingly communicate with each other in real time, in ways and in such volume that no amount of censorship and monitoring can control or turn back. Because of this agreement, an individual Chinese citizen, with a few clicks of a mouse, will be able to send and receive far greater amounts of information to more people than was ever dreamed of only a short time ago. No longer dependent on the state for all information, Chinese citizens will be equipped with the means and instruments to communicate, with increasing ability to share ideas with each other directly or with the world outside.

There is no question that some in China's leadership are nervous about this new-found freedom. Only a few weeks ago, new regulations seeking to restrict the flow of information on the internet were announced under the guise of encryption. While some may lament that this decision could retard China's development, in truth this action simply underscores the inherent futility of the Chinese government's efforts to stuff the genie of information back in the bottle. There is no preventing the inevitability that increased access to the tools of information will lead to the spread of uncensored and uncontrolled discussion, ideas, and information in China.

### **Conclusion: This Agreement Will Move Reform Forward in China**

In no way should it be suggested that reforms and progress in China will come easy, be straightforward, or come without interruptions or setbacks. We should not underestimate the

difficulty for China in implementing these reforms or traversing the rocky terrain ahead. China's destiny will follow neither a straight line nor a precise timetable.

None of the provisions in the WTO agreement are a silver bullet -- all of them combined are not a massive silver bullet. None represent an easy road to progress free from setbacks and contradictions.

As the President has said, no one can be sure the path China will choose for itself. But no one also can escape the responsibility to answer the question of which way this agreement is most likely to move freedom in China. If this agreement in any way helps lock in and accelerate economic liberalization in China, if it in any way moves towards forcing government decision-making into the sunlight, if it works to allow more capital to flow more freely to more Chinese entrepreneurs, if it increases free contact between the Chinese people and foreign businesspeople, if it encourages new ideas and information through the internet, the question we must answer is: is this agreement more likely or less likely to increase economic freedom and press reform in the right direction? I believe the answer is yes.

Freedom is contagious. And the more freedom that any people experience, the more it takes root in their societies and the more momentum there is for reform.

While the increase in economic freedom has not always been an automatic recipe for promoting political freedom throughout the globe, one has to determine that it is usually moves political reform in the right direction. Certainly, our own country is based on the foundation that economic freedom and political freedom reinforce each other.

This can't be a reason, however, to simply sit back and hope China's WTO accession is a solution or the only answer. All of us need to continue to press for greater human rights and greater respect for labor rights with force and determination.

Our companies need to live up to their words and take every step, use all their initiative, to promote change in China. The American Chamber of Commerce's paper on human rights states that "[t]he American approach to doing business and to corporate responsibility can and does foster positive change in China... We empower our employees to take initiative and give them a voice on how to do things. They in turn convey these values to their families and associates. We introduce high standards of worker health and safety as well as environmental protection."

These are the commitments of our private sector doing business in China, and we should have every expectation that they will follow through. We should be strong in encouraging and expecting them to do so.

In the end, as I said before, in any policy issue one has to not simply ask, how dire is the situation -- whether you're talking about a children's health issue or the situation of labor and human rights in China. The question is about whether the policy decision to be made is likely to improve the situation, or make it worse.

In the words of Li Ke, former Chinese editor of the democratic journal Fangfa: "For so many years of China's reform and opening, areas couldn't be opened and remained state monopolies. But if the economic monopolies can be broken, controls in other areas can have breakthroughs as well. These breakthroughs won't necessarily happen soon. But in the final analysis, in the minds of ordinary people, it will show that breakthroughs that were impossible in the past are indeed possible."

Thank you. I'm happy to take questions.

**THE BANGLADESHI AMERICAN FOUNDATION**  
**P O BOX 61544**  
**POTOMAC, MD 20859-1544, USA**

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The Bangladeshi-American community is now estimated to exceed 150,000 people. Relative to other communities, our numerical strength is small and we are scattered. However, we have many talented and dedicated persons among us. If our resources are properly harnessed, we could be a powerful group. Toward this goal, a draft constitution and by-laws of a Bangladesh Foundation have been prepared to register a perpetual non-profit organization.

The immediate objectives of this Foundation shall be to promote (i) youth and community developments among Bangladeshi-Americans, and (ii) the image of Bangladesh. Towards achieving these objectives, an annual event shall be organized in Greater Washington, perhaps beginning March 1997, to recognize our outstanding students, professionals, businesspersons, community workers, etc. The Bangladeshi Americans are broadly defined to include Bangladeshi Students in the US.

The medium- to long-term objectives shall be to provide news and cultural programs for TV stations and cyberspace, and to establish Bangladesh Community Centers in areas with a large Bangladeshi-American community. The proposed centers shall be focal points, serving the socio-cultural needs of the community and promoting the image of Bangladesh.

Comments and/or suggestions on the proposed draft constitution and by-laws would be very much appreciated. Once all good comments and suggestions have been addressed, the promoters will proceed to incorporate the Foundation. When all the legal requirements are met, the constitution and by-laws will be circulated and individuals and organizations would be invited to join the Foundation.

If you would like to participate in this good cause, please review the proposed constitution and by-laws. You may send your written comments to the address given above or e-mail to:  
[BADRULH@IADB.ORG](mailto:BADRULH@IADB.ORG).

Proposed Constitution and By Laws.

Also read a Letter by Badrul Haque about our Uncharted Future.

Since Sep 20th, 1999 you are visitor #91st

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This is being maintained by Manzoorul Hassan.

3/8/00 Final  
Orzulak

3:51

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

4:17

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

I want to thank Johns Hopkins University and the School of Advanced International Studies for the opportunity to come here today and talk about China. one of most important decisions made in 1990s

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

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

At the same time, Members of Congress want to know why our underlying decision to let China into the WTO is not only in America's economic interest, but in our overall national interest. ~~It believe with all my heart that this represents the most significant step we have taken to create positive change in China since President Nixon first went to China nearly three decades ago.~~ <sup>we 1970s</sup> This is our choice to make, and I'm going to work as hard as I can to encourage Americans to embrace that choice.

For a long time now, <sup>The US</sup> ~~Americans~~ have debated our relationship with China, partly because our perceptions of China keep changing. In the early 1900s, most Americans saw China either through the eyes of traders seeking to <sup>new consumers</sup> ~~win markets~~, or missionaries seeking to win hearts. During World War II, China was our ally. During the Korean War, it was our adversary. At the dawn of the Cold War, when I was growing up, it was a cudgel in a political battle – who lost China? Later, it was a counterweight to the Soviet Union. Now, in some people's eyes it's a caricature: either the next great capitalist tiger with the biggest market in the world, or the world's last great communist dragon and a threat to stability in Asia -- ~~the land of a billion customers, or the land of a billion prisoners~~

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

But through all this upheaval, there has been one constant: America's stake -- our profound national interest -- in the outcome. For 30 years, every American President, without regard to party, has worked for a China that contributes to the stability, not the instability, of Asia; that is open to the world; that upholds the rule of law at home and abroad. There is a simple reason. We are a nation that has fought three wars in Asia in the 20<sup>th</sup> Century. We have a strong stake in Asian peace and stability. We are also a nation that cherishes liberty and believes that if people are free to make their own choices, the world will be a safer and more prosperous place.

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

### *Economically*

~~Let's understand one thing from the beginning.~~ This agreement is the trade equivalent of a one-way street. It requires China to open its markets to our products and services in unprecedented new ways; we simply agree to maintain the market access that we already give to China. It does not change our tariffs one bit. With more than a billion people – over one-fifth of the world's population -- China is the biggest potential market in the world, and under China's WTO accession agreement, America will gain unprecedented access to it.

Chinese tariffs, from telecommunications products to automobiles to agriculture, will fall by half or more over five years. For the first time, our companies will be able to sell and distribute products in China made by workers here in America, without being forced to relocate manufacturing to China, sell through the Chinese government, or transfer valuable technology. We'll be able to export products without exporting jobs. Meanwhile, we'll get valuable new safeguards against any surges of imports from China. We are already preparing for the largest enforcement effort ever given to a trade agreement.

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

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

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

Those of us who support the China WTO agreement are fully aware of Beijing's actions. China is a one-party state that does not tolerate opposition. It denies its citizens fundamental rights of free speech and religious expression. It defines its interests in the world in ways sometimes at odds with our own. But the question is not simply whether we approve or disapprove of China's practices. The question is, what can we do to improve them?

This is not a trade-off between economic rights and human rights, or economic security and national security. These are false choices. Membership in the WTO won't create a free society in China overnight, or guarantee that China will play by global rules. But over time, we believe it's going to move China faster and further in the right direction. *Certainly do more on rejection*

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

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

But its system is still plagued by <sup>corruption</sup>. Its economy is not creating jobs fast enough to meet the needs of its people. Only about one-third of its economy is private enterprise. And nearly 60 percent of its investment and 80 percent of all business lending is directed toward state-owned dinosaurs that are least likely to survive in the global economy. Much of China's economy today still operates under the old theory that if they had just shoveled coal into the furnaces faster, the Titanic would have stayed afloat.

It's ironic: many Americans are legitimately concerned about the danger a strong and successful China could pose to us in the 21<sup>st</sup> century. But the danger of a weak China, beset by internal chaos and disintegration is also real, and China's leaders know it. So they face a dilemma: they realize that if they open China's market to global competition, they risk unleashing forces beyond their control – temporary unemployment, social unrest, and greater demands for freedom. But they also know that without competition from the outside, China will not be able to attract investment or build world-class industries that can survive in the global economy.

With this agreement, China has chosen reform, despite the risks. It has chosen to overcome a great wall of suspicion and insecurity and engage the rest of the world. The question for America is: do we want to play a constructive role in encouraging that? Or do we want to reject

China's choice, and become bystanders as the rest of the world rushes in? I think that would be a mistake of historic proportions.

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

I am telling you, everything I have ever learned in my life, and everything I have learned about China, convinces me that we have a far greater chance of influencing China's actions if we bring it into the world than if we shut it out.

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

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

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

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

In the past, virtually every Chinese citizen woke up in an apartment or house owned by the government, went to work in a factory or farm run by the government, read newspapers published by the government. State-run workplaces also operated the schools where they sent their children, the clinics where they received health care, and the stores where they bought food.

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

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

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

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

When China joins the WTO, by 2005, it will eliminate its tariffs on information technology products - making the tools of communication even cheaper, better, and more widely available. We know how much the Internet has changed America -- and we are already an open society. Just imagine how much it could change China.

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

I think China is going to learn what every other nation is learning as we embrace this knowledge-based economy: you can't expect people to be innovative economically while being stifled politically. Bringing China into the WTO doesn't guarantee it will choose political reform. But accelerating the process of economic change will force China to confront that choice sooner, and it will make the imperative for the right choice far stronger. And again, if China is willing to take this risk, how could we possibly turn our backs?

Let's be clear: this is not, by itself, a human rights policy for the United States. Change will

only come through a combination of internal pressure and external validation of China's human rights struggle. And we must maintain our leadership in the latter, even as the WTO agreement contributes to the former. That's why we sanctioned China under the International Religious Freedom Act last year. It is why we are again sponsoring a resolution in the UN Human Rights Commission condemning China's human rights record. We will continue to press China to respect global norms on non-proliferation.

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

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

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

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

Most of the evangelicals I know who have missions in China also want China in the WTO because they know that it will encourage freedom of thought and more contact with the outside world. Many of the people who have paid the greatest price under Chinese repression agree, too. Ren Wanding is one of the fathers of the Chinese human rights movement. In the late 1970s, he was thrown in prison for founding the China Human Rights League. In the 1980s, he helped lead the demonstrations at Tiananmen Square. In the 1990s, he was thrown in prison again. Yet,

he says of this deal: "before, the sky was black, now it is light. This can be a new beginning." For these people, fighting for freedom in China is not an academic exercise or a legislative debate, it is their life's work. They are telling us that this is the right thing to do.

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