Case Number: 2010-1024-F

FOIA MARKER

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China WTO 1997 [1]				
Staff Office-Individual:				
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23	4	10	3	V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. memo	For Samuel Berger from Charlene Barshefsky. Subject: Talking Points on China (6 pages)	08/07/1997	P1/b(1)
001b. memo	For Samuel Berger from Charlene Barshefsky. Subject: Follow-up to our Conversation (2 pages)	08/02/1997	P1/b(1)
002. list	Deliverables. Annotated. (3 pages)	09/10/0997	P1/b(1)
003. cable	re: China/WTO. (3 pages)	09/22/1997	P1/b(1)
004. email	To Robert Malley from Sandra Kristoff. Subject: RE: Meeting with Charlene Barshefsky (1 page)	08/04/1997	P1/b(1)
005. paper	Background on Bilateral Issues. (3 pages)	07/1997	P1/b(1)
006. paper	Further Information on China WTO. (1 page)	08/14/1997	P1/b(1)
007. note	China WTO Meeting (1 page)	08/06/1997	P1/b(1)
008. note	China Macro [partial] (1 page) partial release	08/06/1997	P1/b(1) kc 9/19/2016
009. note	China WTO [partial] (2 pages) partial release	08/06/1997	P1/b(1) kc 9/19/2016
010. list	China WTO Accession Status. Annotated. (8 pages)	06/30/1997	P1/b(1)
011. report	Summary of Developments (2 pages)	c. 07/1997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

FOLDER TITLE:
China WTO1997 [1]

2010-1024-F
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RESTRICTION CODES

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

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

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

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

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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012. paper	China WTO Accession: Services. (2 pages)	08/07/1997	P1/b(1)

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THE CURRENT U.S. DEBATE OVER CHINA POLICY

AND CHINA'S ACCESSION INTO WTO

Remarks of

Alan Wm. Wolff

before

The Trilateral-Forum on China-U.S.-Japan Cooperation in Promoting Liberalization in Trade and Investment in the Asia-Pacific Region

Shanghai, China

May 6, 1997

THE CURRENT U.S. DEBATE OVER CHINA POLICY

It is good to be back in Shanghai. I have not been here since I lectured at Fudan University in 1988 at the gracious invitation of Madam Xie Xide.

The task which I have been assigned is to describe the nature of the current debate in Washington over U.S. policy toward China. This could not be a more welcome assignment because this is precisely the international policy topic of greatest interest at present in Washington. The following thoughts are personal, and not necessarily the view of the U.S. government or any other private U.S. party.

The factors affecting the Sino-American relationship are as difficult to describe as the currents of the Yangtze River as it passes through the Three Gorges. The river is seen not so much as having a steady flow in one direction as a contest among various conflicting forces. U.S. policy toward China appears on occasion to be affected as a small boat on the river -- alternatively pulled down, pushed up, or swept around in a whirlpool.

China wears many faces for Americans. Its seemingly vast market calls out to many Americans with promises of great rewards reminiscent of the California Gold Rush. China's rapid economic development -- characterized by the more than one thousand cranes building a new Shanghai -- is a cause for widespread admiration. Strong positive forces -- economic, historic, and geopolitical -- pull Americans toward China. At the same time, Americans hear the personal stories of Chinese dissidents (especially after Tiananmen); have concerns over China's export of weapons (from missiles to millions of cheap but effective land mines) and of nuclear technology; are surprised (perhaps naively) by the vehemence of the Chinese Government's reaction to the permission granted to the President of Taiwan, Lee Teng-hui, to speak at Cornell, and the shelling of waters off Taiwan; and are nagged by concerns over how individual freedom will fare in Hong Kong after reversion.

Many in America conclude that American policymakers should strive hard to forge close ties with China in close partnership towards common goals of peace and prosperity. Some others view China primarily as a threat -- economic, political and military. A few urge consideration of the rearmament of Japan as a counterweight to the planned expansion of China's military capabilities. These are stunningly opposite views to accommodate within a policy debate.

Into this debate come press stories of some Chinese funds being introduced into the last American election. Understand that whatever the truth turns out to be, there is an impact on policy, at least in the short term. The damage is not so much from the allegation that someone connected with China made contributions to a campaign, but that some American policymakers were improperly influenced -- a charge that I do not for one moment believe. The effect of the allegations can be to slow, for the present, progress toward closer ties between the United States and China.

The Foundations of the Relationship

It is always a mistake to dwell too much on today's headlines and not take a longer-term view. The U.S.-China relationship, after all, has a reasonably long history, and will be shaped at least as much by this history and by each country's long-term interests, as by current events.

If you were raised in New England on the Northeast Coast of the United States, as I was, and the son of a merchant, you have an in-born affinity for trade with China. Samuel Elliot Morrison, the great American naval historian tells us that the boys of Salem, Massachusetts in the days of the great sailing ships were more familiar with the streets of what they knew as "Canton" than they were with the streets of Boston. As a boy, I would often visit with great interest the Maritime Museum of Salem and the homes of sea captains active in the China trade.

The ties are long and deep between America and China. Americans did not seek colonies when they came to China, they sought trade. They were followed by another wave of Americans -- the missionaries who sought to improve the material conditions of China even while they sought converts to Christianity. The missionaries preceded the generation of America's great China scholars, such as John King Fairbank, whose classes I had the good fortune to attend at Harvard three decades ago, and of the "China Hands," such as Theodore H. White, writing for *Time* magazine in the 1930's and with whom I later met and spoke with during my days as a student.

In World War II, Americans were to fight side-by-side with Chinese. These days are still well-remembered in America. General Claire Chenault with the Flying Tigers in Kunming and General Joseph Stillwell in Chungking are part of the American roster of heroes. Some of their efforts are commemorated today, for example through the American Center in Chongqing.

With the Cold War, the Revolution in 1949, and the Korean War, the U.S.-China relationship changed dramatically to one of animosity and distrust. But China was not America's central problem, that role was reserved for the Soviet Union. As a result, President Nixon came to Beijing in 1972, just one quarter century ago, to meet with Chairman Mao Tse-Tung and place our feet and China's on a different path of mutual interests discovered and increasingly harmonious relations. We are still on that path, but the Soviet Union is gone, and the world of geopolitics has changed dramatically. Adjustments will continue to take place.

Living in the present, we often accord to prior generations of policymakers a clarity of vision that could never have existed. The past seems so straightforward in retrospect, that we tend to credit our leaders in prior times with knowing precisely where they were headed. In contrast, today's decision-making often seems to be fogbound, the course uncertain, and the future unpredictable. Thus, it seems far less clear today than it was ten or 25 years ago what purposes unite us, and what the future of the U.S.-China relationship will be, and where Japan fits in the puzzle.

Genesis of the Current Debate

The current debate in Washington on U.S. policy toward China has spread from scholarly journals to the front sections of America's newspapers because of three factors -- the upcoming reversion of Hong Kong to China at the end of June of this year, China's application for accession to the World Trade Organization (WTO), and the allegations that Chinese funds and interests were illegally involved in financing campaigns in the November 1996 U.S. elections. Whatever the merits of the allegations prove to be, now every aspect of the bilateral relationship and the policies and actions of China and the U.S. as they affect each other are prominent parts of America's internal policy discussion.

America's Underlying Interests

As a point of departure for our discussion, a word is in order about the elements which drive American policy. First, America's paramount interest, as perhaps with any nation, rests with its security. Where security interests are identified, they will take precedence over all others.

Second, for both reasons of altruism and self-interest, America strongly promotes democracy and the free market as the twin policies that serve both its moral and its concrete interests. Our proselytizing for democracy is curbed only by our understanding the effective limits of any attempt to intervene in the affairs of others. This said, any new Chinese measures seen by the American people as curbing democracy would provoke a strong U.S. reaction, overruling other U.S. policy objectives. This must always be kept in mind.

Third, U.S. commercial interests in the case of China are seen to be very important. America seeks full access to the Chinese market both for trade and investment. It also welcomes receiving Chinese goods for U.S. consumption.

Fourth, and prominently, America has a strong interest in respect for human and labor rights and protection of the global environment.

Current U.S. Policy

U.S. interests are deemed by the U.S. Administration to be best served by what it calls a "policy of comprehensive engagement." Some observers consider this to be more of a direction or approach than a clearly articulated policy. Nevertheless, it is important as a direction, and there are concrete policy elements associated with it. Under the comprehensive engagement umbrella, there are six current headings:

(1) nuclear nonproliferation and arms control;
(2) human rights;
(3) trade;
(4) Hong Kong reversion;
(5) Taiwan; and
(6) cooperation on terrorism and the global environment.

The U.S. Secretary of State, Madeleine Albright, in her visit here on February 24, provided specific thoughts on nuclear nonproliferation and arms control, and trade in chemical weapons. During his visit in March, Vice President Al Gore addressed in greater detail cooperation on the global environment. I will not address today all of the topics on the U.S. list of policy interests. All are aware of the potential for disruption of China's trade relationships with its major trading partners if there is a serious crisis in the course of Hong Kong reversion or in mainland China's relations with Taiwan. These topics may be seen as internal matters by China, but how they are dealt with by China will clearly have external effects.

In terms of the overall relationship, the prospect for serious conflict might grow rather than diminish over time, given China's goals of increasing its ability to project military force beyond its currently accepted borders. Estimates differ as to when force levels could lead to a major miscalculation. In addition, exports of weapons or nuclear materials which fuel a crisis in another region could give rise to a disruption in trade relations. But such theorizing is best left to another day and other international gatherings. These issues are mentioned here only as they affect the context for trade relations.

In the case of the Soviet Union, in the 1970's, the U.S. trade policy debate focused on the choice of an appropriate comprehensive trade policy -- to engage economically, with the theory that economic integration would increase chances for peaceful co-existence, or, in the alternative, whether something closer to an economic boycott and a consequent weakening of the Soviet Union would better serve the prospects for world peace. In the event, it does not appear that either course, followed consistently, would have changed history.

These are not seen as the policy choices presented with respect to China. Nevertheless, there will be some sentiment in the U.S. to observe carefully whether the linkage between economic development and growth in Chinese military capability is threatening. The conclusions drawn could, of course, have a future effect on the course of trade relations.

Trade Relations

My area of professional interest is trade, so I will turn to the heart of that subject. There are three dominant features of the trade landscape: WTO accession, the trade imbalance and permanent MFN status.

A. WTO Accession

There has never been a case of accession to the World Trade Organization (WTO) that is as complex as that presented by China's application. First, China is the largest trading nation by far to join (or re-join) the world trading system well after the system's establishment. Second, China is far from being fully a market economy country. For accession to take place, intensive negotiations are needed, and have in fact been long underway. China has taken some recent, very important steps to make near-term accession more feasible. The most important of these has been its agreement to apply the rules of the WTO's intellectual property agreement

(TRIPs) immediately with no phase-in period. It has also agreed to grant extensive trading rights with a very short phase-in period.

What are the other key issues?

(1) Market Access. It is easier to write the words "market access" than to deliver on them.

(a) A threshold problem -- state ownership. The GATT has dealt only to a slight degree with state trading (that is, where a state monopoly controls the sale and importation of a commodity). It has never faced the problem of widespread state ownership. The essence of the WTO/GATT is that decisions to buy and sell are to be driven by market forces, that is, solely by commercial considerations. What would a Korean "Buy-national" program look like were one adopted by China, where the potential market consists largely of state-owned enterprises? This may not be an insurmountable problem, but it is a problem.

(b) Tariffs. There will be a reluctance on the part of China to open its economy too quickly. Yet, being closed has its own costs. The net benefits for all countries which engage extensively in trade are taken for granted by most American students of the subject and probably all trade negotiators accredited to the WTO in Geneva. I will not spend time here proselytizing for open markets but will cite one current illustration -- the Information Technology Agreement (ITA).

The ITA is singular as a trade agreement: Reciprocity was not the primary reason for nations accounting for over 90% of world trade in these products agreeing to eliminate completely their tariffs on these goods. By the year 2000, almost all computers, telecommunications equipment, semiconductors, software and semiconductor making equipment will flow in international trade free of duty. Countries entered the agreement not primarily because they would gain greater foreign market access but because taxing their own information technology *imports* threatened their ability to participate in the information age. Free access to the world's latest high technology goods and software is essential to each participant's own interests. On the heels of the ITA, countries further agreed that opening their own economies to international competition in telecommunications services made equally good sense, and struck a deal to do so. It may be too much to hope that the historical model of promotion of domestic industry through protection has been completely discarded, but at least the mold has cracked.

(c) The Exchange Rate. Trade ministers are not allowed to concern themselves with exchange rates. That is the preserve of finance ministers. Yet, what does a reduction of a tariff mean if the currency of the importing country is substantially undervalued or if it engages in competitive depreciation. At a minimum, as in the case of Mexican accession to NAFTA, a change in exchange rate relationships (accompanied or caused by a collapse in domestic confidence) can deprive a party to a trade agreement of near-term anticipated benefits. Ignoring exchange rate effects can undermine domestic support for trade liberalization.

The yuan is still not freely convertible. It was undervalued and has been depreciating in real terms. Some understanding of its proper valuation must underpin China's trade commitments.

(d) The rule of law. One of the basic assumptions under which trade takes place is that contracts will be honored and that anticompetitive private practices will be prevented. A full understanding is required of the legal infrastructure in China necessary to support trade.

(e) Other nonmarket factors. Key concerns in trade with China are other factors which can distort markets. Guanxi (relationships) matter. Anti-corruption campaigns are a recurrent theme. Clearly a major problem for foreign access to the Japanese market over time has been the interrelationships within and among *keiretsu* which can overcome market factors in determining competitive outcomes. The movement in Japan toward re-establishment of holding companies is currently requiring assurances from Japan's top officials that the concerns of Japan's trading partners are unwarranted. No trading partner wants to repeat, in the case of China, the market access experience faced in Japan. Nor do they want to find in China the corruption which is said to plague business in India and Indonesia.

(2) Freedom of Investment. China has become one of the world's most attractive places to invest. Yet, concerns have been raised about investment-related performance requirements. These include: conditioning investment approvals on technology transfer, trade or foreign exchange balancing requirements, local content requirements, export requirements, or other offset arrangements.

(3) Dumping. The WTO/GATT condemns dumping -- the sale of goods below fair value which causes injury to an importing country's competing industry. It is a prerequisite for obtaining broad U.S. industry support for China's WTO accession that current rules for dealing with nonmarket economy imports be retained and that adequate, effective and accessible antidumping provisions be maintained.

(4) Industrial Targeting. The marshalling of national resources for industrial policy purposes, accompanied by protection of domestic industry, has been an economic development technique employed by both Japan and Korea. The WTO generally disaggregates packages of measures to see whether subsidies, dumping, and/or protection may run afoul of its rules and therefore be offset. However, major trading countries having their own commercial interests, must of necessity study the entirety of trade-distorting industrial policy efforts of any trading partner in any given industry and determine whether to respond with their own policy measures.

B. The Trade Imbalance

By any measure the trade imbalance between the United States and China, running now at an annual rate of between $40 and $50 billion/year, is vast. It is also politically unsustainable in the United States. It is the same order of magnitude as the U.S. trade deficit with Japan, but with two major differences -- one which should be of concern to American policy makers, and the other which stifles these concerns: (1) the amount of U.S. exports to China is very small, so that the trade is far more one-sided than it has been with Japan, and (2) the composition of the Chinese surplus is made up largely of goods which have been imported items for a long time, e.g., apparel, footwear, consumer electronics and the like. The effect in the U.S. economy of imported goods displacing imports from other sources is different than that of imported goods which are displacing domestic production (e.g. autos, auto parts, machine tools, steel and ball bearings).

This compositional difference may explain why the Japanese trade surplus with the United States has been a source of constant irritation for decades, whereas the Chinese trade surplus, although more lop-sided, has attracted far less attention. Another factor which may have diminished the political sensitivity of the U.S.-China trade imbalance is the fact that investment into China has been encouraged while investment into Japan has been very difficult. Whatever the reasons for the lack of a strong adverse reaction to the U.S.-China deficit, it is likely that the period of relaxation is at an end. Following, as it does, the last trade debate in the U.S. (on NAFTA), the China trade debate is likely to be highly charged with concerns over whether there is wage stagnation in the American economy and whether trade is a causal factor.

C. Permanent MFN Status

This should be a subject that goes hand-in-hand with WTO accession, but it is more politically sensitive because: (1) it is within the purview principally of the Congress, while WTO accession is to a greater extent an Executive Branch issue, and (2) the issue is really less about an economic question than about human rights. The vote on permanent MFN will be affected by issues such as China's treatment of dissidents, and completely controlled by any convulsive event, in the context of Hong Kong reversion or otherwise. The subject of human rights is seen in Washington in terms of a question of treatment of individuals and not whether trade policies enhance the material well-being and freedom of the population generally.

Reflecting On The Next Century

Carved in stone at the entrance to the National Archives building in Washington is the inscription "What is Past is Prologue." The approach of a new century (and millennium) is an invitation to think about the history of the last century and the lessons that should be drawn from it in order to plan for a better future.

In many respects, this is a sobering occupation. There has been so much carnage over the last hundred years that together we could easily compile a list of place names that conjure up images of slaughter. A name suffices to evoke the misery of the place and the time of the event without further description -- Verdun, Nanking, Auschwitz, Katyn Forest, Stalingrad, Dresden, Hiroshima. The actual list is very long. Sometimes the killing went on for so long and in so many places that broader geographic terms are needed: the Western Front, the killing fields in Cambodia, the Vietnam War, Bosnia, tribal warfare in Africa. Again, these are just a few examples.

What has this to do with us today? We are representatives of three of the countries that are most likely to determine whether the Pacific Rim countries -- one entire hemisphere -- can find and apply a formula for international cooperation that will serve to ensure peace, prosperity and freedom for its peoples and their neighbors for the coming century.

Trade has a role to play. Engagement is important. China's integration into the world economy is of vital importance to us all. That is why we support WTO accession of China, and it will happen. There are many hurdles to be overcome, but I am confident that they can be overcome. Growing trade relationships will increase the stakes so that the costs of a return to animosity are too high to be contemplated by any country. What is required of us in this meeting is to work together creatively to foster the building of more positive economic relationships among our countries.

THE WHITE HOUSE

WASHINGTON

September 10, 1997

MEMORANDUM FOR DISTRIBUTION LIST

FROM: Gay Joshlyn, National Economic Council

SUBJECT: China WTO Meeting

There will be a meeting to discuss China WTO today, September 10, 1997 at 5:30 pm in OEOB Room 231. Everyone on the distribution list is cleared into the building. Please give me a call at 456-2801 with any questions.

Distribution

Lael Brainard, NEC
Bob Cassidy, USTR
Don Forest, DOC
David Marchick, DOS
Susan Shirk, DOS
Meg Lundsager, TRS

WTO Summit Elements

Items Achieved	Items to be Negotiated
1. Standstill	**1. Agriculture**
	• resolution of citrus issue
2. Adherence to fundamental WTO principles of uniformity, transparency, and nondiscrimination, upon accession. Nondiscrimination includes equal treatment for foreign enterprises on procurement of goods and services in China, i.e., elimination of the dual-pricing system.	• resolution of TCK wheat issue
	• completion of TRQ language in Protocol, including number for in-quota amounts, rates of growth, etc.
3. Trading rights for foreign companies phased in over 3 Years after accession	
	2. Services
4. Maximum phase-out for NTMs 8 Years and quota growth during transition period	• commitment to eliminate restrictions on foreign company participation in distribution activities, within X years
5. Full implementation of TRIPs upon accession	
6. Simple Average Tariff Rate of 13.4% (latest offer)	**3. Tariffs**
	• commitment to 8% simple average
7. No agricultural export subsidies	
	4. Non-tariff Measures
	• commitment that no phase-out in any sector will exceed 6 years
	• commitment to 15% annual quota growth rate

CHINA STATE VISIT: WTO WORKING GROUP

USTR:
Bob Cassidy

State:
David Marchick, EB
Hank Levine, EAP

Treasury:
Meg Lundsager

NSC:
Sandy Kristoff &/or Jeff Bader

Commerce:
Kerri Dohn
Don Forest

Two tracks

1. Fluff : aggregate measures
press response positive

- peaks - auto indy resists
- averages
- phasing

one exception: services
→ numerical end point

2. Sectors ~~not~~ vs. functional

Framework Agreement vs. Downpayments

each industry [illegible] through experts.

Containment → progress

Brief: options for getting as much progress as possible on WTO by China SV

- down payments - stff given to JA, NZe, Ko
- plan - China do-able
  - concrete/not reversible
  - pol. support - identifiable constituency

oppies

Rubin sept 25/26

Daley 7/8 Oct

Berger 9/10 Oct Liu

Albright 23rd sept UNGA

Borshefsky back in Oct

Saturday gone

Tomorrow
Tariffs on 4000
NTMs 300 items

Closeouts:

NZe
Korea

Close

Aus - waiting for services
JA : 18% avge 3600

NTM's 8 years max
growth rates 8-12%
quota levels] July

certification pharm reg
autos
pressure vessels - boilers

written offer

Ag quotas - 14% on 120 products (ours is 100)

Gay L. Joshlyn 09/09/97 01:23:18 PM

Record Type: Record

To: Lael Brainard/CEA/EOP

cc:

Subject: Meeting participants

China WTO
3:00 pm Room 248

Bob Cassidy, USTR
David Marchick, DOS
Hank Levine, DOS
Meg Lundsager, TRS
Jeff Bader, NSC
(Bob and David may be a little late for the meeting)

China Commercial Deliverables
4:00 pm Room 248

David Marchick, DOS
Roger Freeman, DOS (w/David)
Pat Sheikh, USDA
Martha Cheng, USTR (for Bob Cassidy)
David Jhirad, DOE
Donald Juckett, DOE
Don Forest, DOC
Todd Crawford, TRS (for Dan Zellikow)

Jeff Bader and John Norris have conflicts at 4:00

Questions on China Economics:

1. So far, we have conveyed a consistent message to China that commercial deliverables around the time of the state visit are a high priority, but we want to avoid connecting them to the visit itself. Boeing and others fear this may mean the difference between 100 planes and 30 planes. Is their fear warranted? How are we addressing this?

2. Do we have a single short-list of top priority contracts that Rubin, Daly, Berger & Albright are all using? What has been the process for selecting this list? (Background: USTR has targeted Jinhua, Boeing, Aetna, citrus, IPR & TCK wheat. Commerce has a broader list that includes a number of big-ticket energy projects, telecommunications, air traffic control system...)

3. What message is Treasury planning to send at the JEC? Does it make sense to emphasize the exchange rate issue now when we have no support from the IMF, China has just participated in the Thailand financial support program, and the Thai crisis has raised concerns about currency speculation throughout Asia?

4. What is the plan for moving forward the WTO process? Does anybody really believe China still might have a comprehensive offer up its sleeve? If not, why not instead target a significant, concrete downpayment for the Summit?

Action Items:

1. Staff should develop a single prioritized list of deliverables for use by all principals.

2. Staff should develop options for moving ahead with the WTO, e.g. a list of possible concrete downpayments, feasibility and desirability of each, pros and cons of comprehensive vs. piecemental approach (this should be a very small group, possibly just USTR & NEC/NSC).

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. list	Deliverables. Annotated. (3 pages)	09/10/0997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

FOLDER TITLE:
China WTO1997 [1]

2010-1024-F
vz1795

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

b(1) National security classified information [(b)(1) of the FOIA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. cable	re: China/WTO. (3 pages)	09/22/1997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. email	To Robert Malley from Sandra Kristoff. Subject: RE: Meeting with Charlene Barshefsky (1 page)	08/04/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. paper	Background on Bilateral Issues. (3 pages)	07/1997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

FOLDER TITLE:
China WTO1997 [1]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. paper	Further Information on China WTO. (1 page)	08/14/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

FOLDER TITLE:

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United States Department of State

Washington, D.C. 20520

BUREAU OF EAST ASIAN & PACIFIC AFFAIRS (EAP)

OFFICE OF CHINESE & MONGOLIAN AFFAIRS (CM)

FAX COVER SHEET

DATE: 8/14

TO: Lael Brainard

FAX:

PHONE:

FROM: EAP/CM: Mike Honnold

FAX: 202-647-6820

PHONE: 202-647-6798

NUMBER OF PAGES INCLUDING COVER SHEET: 4

REMARKS:

Two things attached:

- Answers to questions you posed Tuesday,
- Brittan-Wu Yi letter re WTO

THE RIGHT HONOURABLE
SIR LEON BRITTAN, QC
VICE-PRESIDENT OF THE EUROPEAN COMMISSION

RUE DE LA LOI 200, 1049 BRUXELLES
WETSTRAAT 200, 1049 BRUSSEL
TEL. 295 26 19
· 295 26 10

D/10171

Brussels, 5 August 1997
SG(97) D/6679

Dear Minister,

I am writing to you on the subject of China's accession to the World Trade Organisation, and wish to convey our assessment of the state of play of the negotiations.

While efforts have recently been deployed on both sides to accelerate your accession, I am concerned that progress on our ongoing market access negotiations has been slow and now poses a risk of stalling the overall negotiations. This is notably true with respect to the offer you are submitting to reduce import tariffs, as well as to China's forthcoming offer in the field of trade in services.

With regard to China's offer to bind industrial import tariffs, the European Community has over the last years consistently taken what we believe to be a reasonable position that China should make an offer that would reduce these duties to an average level that is about twice as high as that of industrialised countries (i.e. about 6-8%). Such an offer should include only a minimum number of tariff "peaks" above 15% and we have accepted that it would not be implemented immediately upon accession, but could be phased in over a period going up to five years after your entry into the WTO.

It is with some concern that I have noted that China's most recent new offer is likely to fall well short of these objectives. Judging by the partial elements we have received so far, the average level you are offering is significantly higher than the 8% goal which had been agreed between our negotiators. Moreover, on many hundreds of tariff lines duties would be maintained well in excess of 15% and even at rates that are as high as 60%. There is as yet no indication that your side may join the ITA, or would wish to participate in a significant, even if not comprehensive manner, in other sectoral tariff initiatives. Reductions would be phased in over periods as long as 15 years. It is difficult to see a perspective of entering into the last phase of negotiations while such differences persist.

Mrs. Wu Yi
Minister of Foreign Trade and Economic Cooperation,
Beijing,
CHINA

With respect to services it is my understanding that China will submit a revised offer before the end of August. We do expect that this offer will be a significant improvement on the last one and that it will take account of the consolidated list of requests that we have recently put to you.

Services is a dynamic new sector for the WTO where rapid further growth is expected in the years ahead. This is true also for China, and an opening of the services sector would lead to a higher growth of your economy, more employment including at the upper end of the wage scale, on the job training for countless Chinese nationals, as well as increase the competitive position of your manufacturing industry.

It should be mentioned that in February this year WTO Members agreed to liberalise the telecommunications sector, and that negotiations are ongoing in the field of financial services (banking, insurance and securities). Substantive commitments are expected that would bring China into line with liberalisation measures taken by other WTO Members. Furthermore, meaningful offers in the area of distribution services - as an essential complement to the agreement we have reached on trading rights -, professional services (notably lawyers and accountants) and other sub-sectors are inevitable parts of the final package we seek to negotiate in the months ahead.

The European Community is also seeking an early solution to the ongoing obstacles our companies are facing in the field of maritime services. I remain deeply concerned by the absense of any progress on this clear case of anti-European discrimination since I discussed the matter in Beijing during my last visit.

I believe I should bring these important issues to your attention because there is a danger that an increasing discrepancy may appear between political statements to promote an early accession and real progress achieved at the level of negotiators.

You are aware of my vigorous support in favour of China's WTO cause and I wish to reiterate my continued commitment to moving the accession process forwards. I remain convinced that, with solid work and best efforts on all sides, we can bring negotiations to a successful conclusion in a short period of time. That would bring immeasurable benefits to the WTO as an organisation, to its Members as well as, of course, to China itself.

I am looking forward to seeing you again this autumn.

With best wishes

Yours sincerely

Leon Brittan

Received Time Aug. 6. 6:19AM Print Time Aug. 6. 6:21AM

File — WTO ACCESSION CHINA

THE RIGHT HONOURABLE
SIR LEON BRITTAN, QC
VICE-PRESIDENT OF THE EUROPEAN COMMISSION

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With best wishes

Yours sincerely

Th post

Gephardt ITC
→ Wessel

Crane
Thelma
GAO

broad ^key constituency

Ag - bilateral

Tariffs broader / different sector

Distribution - meaningful translate? risk need all details

Judicial review too arcane

Want to make sure real deal / closure

Ag - how we can tee it up, tricky, stiffed in May

Xinhua can happen

JA have some concerns

Sir Leon → Wu Yi tough

Bob Cassidy

lowering temperature here

AG

8-10 products
wheat
rice
corn
cotton
Citrus | 301

Ag & Indy
Geoff end of mo.
out early Sept

IND

CEO's why not China?
ITA no zeroes here or chemicals
roadblock: Electronic Industry

Chemicals: moving toward harmonization.
transition tariffs ↓

Stat. inspection / chemical registration

w/in indy, equitable sharing of burden

Implementation not language
SPS / Stat Inspection
↑ process
...

List of all tariff lines + justify

No offer

Geographic transition
coastal

fin'l. services
banks don't care - Treasury out
insurance -
securities - or indy. rotation

NZE: old will see more
broadly representation w/w/sale

MIT - easier target, fewer jobs

telcomms: nat'l security involved

Log / MIT/MRF/Central Bank

Model: 3% average

700 have indicated no more for 6 yrs.
100-200

how allocated?

8 → 26 autos, chemicals med. equipment
15% 8 years: 8/10/12

Safeguards - Scands
infant industry
general
specific

CHINA - ECON

Rubin Sept. 26 following Bank/Fund / MOF, JEC

insurance AIG, others

Daley Oct. 12

ask Ag. for list

TDA - POTUS waiver authority

Baucus amendment allows AEP to operate
accepted in Senate

Clowester

before

ABAE

Staffing

Dan Berg ?

David Blumgarden ?

African nations

USFCS

Haiti

Japan Principals : end week

Deficit - specifics + tone

((A/t Fuji JFTC blasted decision))

Clinton-Hashi November

Dereg. also

Civ air

China

prioritize - Libertore

Elgie - joint ~~to~~ implementn.

Fast Track

worker retraining / jobs

Skaggs - something to vote against

bilat / m/l -sectoral

CHINA: Status of Economic Reforms

Macroeconomic Causes of the Deficit

~~Policy Approval~~
Overall Econ Policy in Runup to State Visit

Deficit

PC 1) Prospects for + Contributors to the Deficit

2) Policy options

~~Decisions~~
Updates 1) How hard pushing on ~~status of~~
macro price + law

2) Contracts /who + when

3) Bilat Disputes

4) WTO update

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007. note	China WTO Meeting (1 page)	08/06/1997	P1/b(1)

COLLECTION:

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. note	China Macro [partial] (1 page)	08/06/1997	P1/b(1)

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[008]

EO 13526 1.4c, 3.5c

China Macro 8/6/97

trade deficit / macro

- clearly understand linkages

- generally targeting bilat exr, daily interventions

- best lever is inflation
  concern that sterilised interventions pumping
  substantial liquidity into economy

huge overcapacity / hangover from early 90's
easy credit years still working out of system

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009. note	China WTO [partial] (2 pages)	08/06/1997	P1/b(1)

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

EO 13526 1.4c, 3.5c

China WTO 8/6/97

leadership has shifted position on WTO [009]

earlier, ready to move on WTO
b/c perceived we wanted it more

- Sands over Dworkin

~~Cas~~

more recently, realized not interested in "political" accession, also concerned about fundraising

- Cassidy more hard line

partly, top leadership is mixed:
want to get in but when it comes to specific measures, caught up in blowback from individual ~~[illegible]~~ ministries

there is a middle ground: would be helpful to give more guidance / specificity on our priorities

- services is very tough
insurance has PBOC, banking opposition
telecomms has telecomm ministry / monopoly
distribution has entire Min. of Internal Trade and state trading cos. in opposition

[009]

but so far, they have little guidance/ prioritism. from us

substantial concern about 35% un in countryside, millions in cities, etc

- Zhu, in particular, committed to SOE hard budget constraints -- but at internally imposed pace, not subject to foreign pressure

- Li Lanqing only one openly advocating trade liberalization as means of importing cheap consumer goods/form competn etc

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
010. list	China WTO Accession Status. Annotated. (8 pages)	06/30/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

FOLDER TITLE:

China WTO1997 [1]

2010-1024-F
vz1795

RESTRICTION CODES

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

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

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

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

b(1) National security classified information [(b)(1) of the FOIA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
011. report	Summary of Developments (2 pages)	c. 07/1997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

FOLDER TITLE:
China WTO1997 [1]

2010-1024-F
vz1795

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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WASHFAX RECEIPT
DEPARTMENT OF STATE

'97

B

S/S #

C

MESSAGE NO. 001025 CLASSIFICATION : LOU No. Pages 10

FROM: Mike Honnold (Officer name) State / China Desk (Office symbol) 6476798 (Extension) (Room number)

MESSAGE DESCRIPTION

TO: (Agency)	DELIVER TO:	Extension	Room No.
NEC	Ms. Lael Brainard	3955104	

FOR: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☒ COMMENT ☐

REMARKS:

S/S Officer:

UNCLASSIFIED
with LIMITED OFFICIAL USE attachment

DATE: August 6, 1997

TO: Lael Brainard

FROM: Mike Honnold, China Desk

SUBJECT: China WTO Accession

1. **U.S. Services Requests.** I've attached a short paper I did late last year which summarized what was at that time the latest U.S. services request and the latest Chinese offer in response (the documents I drew from to do the paper are also attached). I do not believe that we have provided the Chinese with another request since I did that paper, although Lee and Deborah might have given them such a revised request at some point that wasn't shared interagency. The Chinese have since provided a revised services offer, but it does not differ significantly from what I discuss briefly in the paper.

2. **EU and Japan Tariff Requests.** We're checking on the EU and Japan tariff requests. However, countries participating in accession Working Parties typically don't share their tariff requests -- initial, revised or bottom-line -- with other Working Party members. Our request was over 2000 tariff lines. To the best of my knowledge, we have not provided the Chinese with a request less than this.

Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
012. paper	China WTO Accession: Services. (2 pages)	08/07/1997	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Economic Council
Lael Brainard
OA/Box Number: CF 1193

FOLDER TITLE:
China WTO1997 [1]

2010-1024-F
vz1795

RESTRICTION CODES

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ETRD-10 SVC

PAGE 01 OF 02 STATE 013614 190351Z 036088 S048050
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GENEVA FOR USTR BEIJING PASS LSANDS AND DLEHR

E.O. 12356: N/A
TAGS: ETRD, EFIN, GATT, USTR, CH
SUBJECT: CHINA AND THE WTO: PAPER ON NEGOTIATIONS ON TRADE IN SERVICES

REF: A) 94 GENEVA 10451; B) 94 STATE 313384

1. ON THE MARGINS OF THE INFORMAL SESSIONS OF THE 19TH MEETING OF THE GATT WORKING PARTY ON THE STATUS OF CHINA AS A CONTRACTING PARTY, THE UNITED STATES AND CHINA MET BILATERALLY TO FURTHER DISCUSS CHINA'S OFFER FOR INITIAL COMMITMENTS IN THE AREA OF TRADE IN SERVICES (REF A). THESE DISCUSSIONS BUILT ON PREVIOUS RECENT BILATERAL EXCHANGES, E.G., THE DETAILED DISCUSSION OF U.S. PRIORITIES PRESENTED TO CHINA ON DECEMBER 8, AND THE FURTHER ELABORATION OF U.S. INTERESTS IN THIS AREA CONTAINED IN THE DEMARCHE DELIVERED TO CHINA PRIOR TO THE RESUMPTION OF GENEVA NEGOTIATIONS IN DECEMBER (REF B). NEGOTIATIONS DETERIORATED IN GENEVA AND WE HAD NO OPPORTUNITY TO PURSUE DISCUSSION FURTHER OR TO PRESENT THE FRAMEWORK.

2. ACTION REQUESTED: PLEASE DELIVER THE FRAMEWORK PAPER IN PARA 3 BELOW TO APPROPRIATE PRC REPRESENTATIVES INVOLVED WITH U.S.-PRC SERVICES NEGOTIATIONS, USING THE TALKING POINTS BELOW TO INTRODUCE IT.

TALKING POINTS:

STATE 013614 190351Z 036088 S048050

WE UNDERSTAND FROM PRESS REPORTS QUOTING YOUR SENIOR OFFICIALS, AS WELL AS THE STATEMENT OF MOFTEC VICE MINISTER GU YONGJIANG AT THE CLOSE OF THE FORMAL MEETING OF THE 19TH WORKING PARTY, THAT CHINA INTENDS TO CONTINUE NEGOTIATIONS FOR ACCESSION TO THE WTO.

IN LIGHT OF THESE STATEMENTS AND OUR CONTINUED STRONG SUPPORT FOR CHINA'S MEMBERSHIP IN THE WORLD TRADE ORGANIZATION BASED ON MUTUALLY ACCEPTABLE TERMS, WE FORWARD THE PAPER WE PREPARED IN DECEMBER.

THIS PAPER ON SERVICES BUILDS ON THE DISCUSSIONS WE CONDUCTED IN GENEVA IN MID- AND LATE-DECEMBER, AND ALSO REFLECTS OTHER COMMUNICATIONS OF OUR PRIORITIES AND INTERESTS IN THIS NEGOTIATION EARLIER THAT MONTH.

WE ARE PREPARED TO CONTINUE NEGOTIATIONS WHEN CHINA IS READY TO ADDRESS THE DETAILH OF ITS SERVICES COMMITMENTS.

END TALKING POINTS AND ACTION REQUESTED.

3. BEGIN TEXT.

U.S.-CHINA SERVICES NEGOTIATIONS
FRAMEWORK FOR FURTHER NEGOTIATION

THE UNITED STATES AND CHINA RECOGNIZE THAT SERVICES TRADE IS A VITAL COMPONENT OF TRADE BETWEEN OUR TWO COUNTRIES. SUCCESSFUL COMPLETION OF NEGOTIATIONS ON INITIAL COMMITMENTS WILL BE AN IMPORTANT CONTRIBUTION TO THE OVERALL PROTOCOL PACKAGE THAT WE ARE PURSUING BILATERALLY AND MULTILATERALLY. THE FOLLOWING IS BASED ON THE ASSUMPTION THAT ONGOING SUBSTANTIVE BILATERAL DISCUSSIONS ON SERVICES, INCLUDING BUSINESS FACILITATION ISSUES, WILL ALSO RESULT IN A MUTUALLY ACCEPTABLE OUTCOME.

THIS PAPER WILL BE USED AS A GUIDE FOR FURTHER NEGOTIATIONS, SUBJECT TO FURTHER DISCUSSION OF SPECIFIC SECTORS IDENTIFIED BELOW, AND ISSUES WITHIN SECTORS. IN PURSUING AN AGREEMENT, NEGOTIATORS WILL BE GUIDED BY THE PROVISIONS OF THE GATS AND THE FOLLOWING GENERAL PRINCIPLES:

NATIONAL TREATMENT/MARKET ACCESS: NEGOTIATORS WILL ADDRESS HOW SECTORAL SCHEDULES WILL ENSURE THE ABILITY OF FOREIGN SERVICES SUPPLIERS TO GAIN NATIONAL TREATMENT AND MARKET ACCESS THROUGH THE FOUR MODES OF DELIVERY IDENTIFIED IN THE AGREEMENT. THEY WILL PAY PARTICULAR ATTENTION TO THE OBJECTIVE OF IMMEDIATE UNDERTAKINGS WHICH SHALL DELINEATE SPECIFIC CITIES AND THE MANNER IN WHICH THE COVERAGE OF GEOGRAPHIC AREAS WILL BE PHASED IN AS PART OF THE AGREEMENT. IN ADDITION, THEY WILL ADDRESS OTHER SPECIFIC ISSUES ASSOCIATED WITH CHINA'S SERVICES SCHEDULE, I.E. THE SCOPE OF BUSINESS ACTIVITIES.

TRANSPARENCY: ALL LAWS, RULES, AND REGULATIONS REGARDING CHINA'S SERVICES SECTOR SHOULD BE PUBLISHED AND MADE READILY AVAILABLE TO THE PUBLIC IN LINE WITH GATS NOTIFICATION REQUIREMENTS. LICENSING AND APPROVALS PROCEDURES SHOULD BE TRANSPARENT AND BASED SOLELY ON PRUDENTIAL REQUIREMENTS.

ON THE BASIS OF THE PLENARY SESSION OF OUR BILATERAL MEETING IN BEIJING DECEMBER 5, 1994, AS WELL AS THE BILATERAL NEGOTIATING SESSIONS OF SEPTEMBER AND OCTOBER OF 1994, NEGOTIATORS WILL BE GUIDED BY THE FOLLOWING SPECIFIC AREAS FOR RESOLUTION:

FINANCIAL SERVICES

LOCAL CURRENCY BUSINESS: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT PERMITS FOREIGN FINANCIAL SERVICES FIRMS TO ENGAGE IN LOCAL CURRENCY BUSINESS WITH FOREIGN-INVESTED AND CHINESE CLIENTS IN AREAS SUCH AS DEPOSIT TAKING, PAYMENT AND MONEY TRANSMISSION SERVICES, LENDING, GUARANTEES, AND TRADE FOR OWN AND CUSTOMERS ACCOUNTS.

GEOGRAPHIC COVERAGE: NEGOTIATORS SHALL PURSUE AN

AGREEMENT THAT PROVIDES FOR EXPANSION OF THE GEOGRAPHIC LOCATIONS WHERE FOREIGN FINANCIAL INSTITUTIONS MAY ESTABLISH AND OPERATE, BEGINNING WITH THE ADDITION OF TEN SPECIFIED NEW CITIES (INCLUDING BEIJING) AND ADDING OTHER COMMERCIALLY IMPORTANT CITIES AND REGIONS.

CLIENTS: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT PERMITS FOREIGN FINANCIAL SERVICES FIRMS TO CONDUCT AN EXPANDING RANGE OF FOREIGN AND LOCAL CURRENCY OPERATIONS WITH A WIDENING RANGE OF CHINESE CLIENTS.

SECURITIES: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT INCLUDES THIS IMPORTANT SECTOR. IN DISCUSSIONS ON DECEMBER 5-6, IT WAS RECALLED THAT CHINA'S PRESENT PRACTICES ALREADY ALLOW FOREIGN

FIRMS TO ENGAGE IN CERTAIN TYPES OF SECURITIES BUSINESS. THE AGREEMENT SHOULD ALLOW FOR LIBERALIZATION WITH RESPECT TO THE TYPE OF FIRMS THAT ARE PERMITTED TO ESTABLISH, THE KINDS OF SERVICES THEY ARE PERMITTED TO PROVIDE, AND THE CLIENTS TO WHOM THEY MAY PROVIDE THOSE SERVICES.

INSURANCE: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT PERMITS U.S. INSURANCE COMPANIES TO ESTABLISH A COMMERCIAL PRESENCE AS WHOLLY-OWNED FOREIGN COMPANIES, BRANCHES, SUBSIDIARIES, MUTUAL COMPANIES, OR JOINT VENTURES. THE AGREEMENT SHALL SPECIFY THE IMMEDIATE OPENING OF AREAS TO BE AGREED, INCLUDING THE CITIES THAT SPECIFICALLY WOULD BE INCORPORATED IN THIS UNDERTAKING. SUCH AN AGREEMENT SHALL SPECIFY THE SCOPE OF INSURANCE ACTIVITIES PERMITTED, CUSTOMERS THAT CAN BE SERVED, AND THE TIMETABLE FOR OPENING ADDITIONAL GEOGRAPHIC AREAS.

OTHER SERVICES

INFORMATION SERVICES: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT PROVIDES FOR A COMMERCIAL PRESENCE FOR VALUE-ADDED OR ENHANCED TELECOMMUNICATION SERVICES PROVIDERS INCLUDING CHINA TAKING AS AN OBLIGATION THE STIPULATIONS OF THE GATS TELECOMMUNICATIONS ANNEX.
DISTRIBUTION: NEGOTIATORS SHALL PURSUE AN

AGREEMENT THAT INCLUDES EXPANDED MARKET ACCESS OPPORTUNITIES IN ALL AREAS OF THIS IMPORTANT SECTOR. (THE U.S. HAS ALRESDY PROVIDED CHINA AN

ELABORATION OF CONCERNS IN THIS AREA.)

IN THIS RESPECT, THE U.S. NOTES THAT CHINA HAS ALREADY PUBLISHED AN ANNOUNCEMENT IN THE CHINA DAILY THAT THE MINISTRY OF INTERNAL TRADE WILL LICENSE WHOLESALING JOINT VENTURES INVOLVING FOREIGN EQUITY PARTICIPATION. ACCORDINGLY, NEGOTIATORS SHOULD EXPLORE HOW TO REFLECT THIS PLAN IN THE SCHEDULE OF INITIAL COMMITMENTS.

AUDIOVISUAL SERVICES: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT PROVIDES FOR SUBSTANTIALLY EXPANDED MARKET ACCESS IN TERMS OF SCOPE OF ACTIVITY AND ELIMINATION OF ANY RESTRICTIONS (E.G., QUOTAS OR INFORMAL BARRIERS) IN THIS SECTOR.

TRAVEL AND TOURISM SERVICES: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT PERMITS TRAVEL AND TOURISM SERVICES PROVIDERS TO ESTABLISH IN CHINA USING THE ENTRY VEHICLE OF THEIR CHOICE. THE AGREEMENTS SHOULD ALLOW SUCH PROVIDERS TO OFFER THE FULL RANGE OF SERVICES -- INCLUDING THE RIGHT TO ISSUE TICKETS AND TRAVELERS CHECKS IN ANY LOCATION IN CHINA. NEGOTIATORS WILL EXPLORE SCHEDULING THESE REQUESTS IN CPC 7471, "TRAVEL AGENCIES AND TOUR OPERATORS."

MAINTENANCE AND REPAIR OF EQUIPMENT SERVICES: NEGOTIATORS SHALL PURSUE AN AGREEMENT THAT PERMITS U.S. COMPANIES, USING THE ENTRY VEHICLE OF CHOICE (INCLUDING WHOLLY-OWNED FOREIGN COMPANY) AND SUBJECT TO NO RESTRICTIONS, TO REPAIR AND MAINTAIN THEIR EQUIPMENT THROUGHOUT CHINA.

(PLEASE ATTACH FOLLOWING TEXT AS A FOOTNOTE TO THE TITLE LINE "FRAMEWORK FOR FURTHER NEGOTIATION":

ON DECEMBER 8, THE UNITED STATES PRESENTED CHINA WITH A DETAILED DISCUSSION OF PRIORITIES. FURTHER ELABORATION OF THE U.S. INTERESTS IS ALSO CONTAINED IN THE DEMARCHE DELIVERED TO CHINA PRIOR TO THE RESUMPTION OF GENEVA NEGOTIATIONS IN DECEMBER.)

END TEXT.
TALBOTT

IMMEDIATE LIMITED OFFICIAL USE OUTGOING 6'

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LIMITED OFFICIAL USE STATE 313384

BEIJING PLS PASS TO BILL MONROE

E.O. 12356: N/A
TAGS: ETRD, USTR, CH
SUBJECT: GATT SERVICES REQUEST FOR CHINA

1. THIS IS AN ACTION REQUEST.

2. REQUEST THAT EMBASSY DELIVER TO MOFTEC'S DITER AND THE AMERICA'S DIVISION THE FOLLOWING NON-PAPER REPRESENTING U.S. REQUESTS ON MARKET ACCESS FOR SERVICES. EMBASSY SHOULD INFORM MOFTEC THAT, IF MOFTEC NEGOTIATORS WISH TO HOLD FURTHER DISCUSSIONS ON SERVICES IN THE GATT/WTO ACCESSION CONTEXT, WE WOULD EXPECT TO RECEIVE OFFERS COMMENSURATE WITH OUR INTERESTS IN THE AREAS LISTED BELOW -- AND ANSWERS TO QUESTIONS ON CHINA'S SCHEDULE AS REPRESENTED IN THE SECTION MARKED "OTHER CONCERNS." USTR WILL HAVE A A NEGOTIATING TEAM IN GENEVA THE WEEK OF DECEMBER 5 AND WILL BE PREPARED TO DISCUSS CHINA'S SERVICES

SCHEDULE THEN.

CIN NON-PAPER:

0 CHINA'S NEW SERVICES SCHEDULE REPRESENTS A

STATE 313384 220538Z 043633 S033649

STEP FORWARD TOWARD MEETING THE THRESHOLD FOR AN ACCEPTABLE SCHEDULE. ON THE HORIZONTAL COMMITMENTS, CHINA HAS REDUCED RESTRICTIVE INVESTMENT REQUIREMENTS AND ELIMINATED BLANKET PROHIBITIONS ON INVESTMENT IN KEY SECTORS.

0 HOWEVER, FURTHER PROGRESS IN A NUMBER OF AREAS IS STILL NECESSARY IN ORDER TO COMPLETE AN ACCEPTABLE PROTOCOL PACKAGE FOR GATT/WTO ACCESSION.

0 SPECIFICALLY, IN IMPLEMENTING ITS HORIZONTAL COMMITMENTS, WE WANT TO BE CERTAIN THAT CHINA'S EXISTING LAWS DO NOT CONSTRAIN INVESTMENT IN AREAS NOT MENTIONED IN THE SCHEDULE AND THAT LICENSING REQUIREMENTS OR OTHER PROCEDURES WILL NOT CONTINUE TO PRECLUDE MARKET ACCESS IN FACT, IF NOT IN THEORY.

our language

WE WOULD ALSO LIKE TO KNOW WHEN, AND IF, CURRENT LAWS AND REGULATIONS ON FOREIGN INVESTMENT WILL BE AMENDED TO MAKE THEM CONSISTENT

WITH CHINA'S SCHEDULE.

0 SIMILARLY, WHILE CHINA HAS OMITTED ANY REFERENCE TO PAYMENTS AND TRANSFERS, WE REQUIRE THAT CHINA IDENTIFY EXCHANGE CONTROL RESTRICTIONS THAT DO NOT FALL WITHIN THE ARTICLES DEALING WITH PAYMENTS AND TRANSFER IN THE SERVICES AGREEMENT.

0 SOME OF THE OFFERS THAT CHINA HAS MADE IN THE BODY OF THE SCHEDULE MAY MEET THE U.S. THRESHOLD, PENDING CHINA'S RESPONSE TO A NUMBER OF QUESTIONS THAT WE HAVE. AS MOFTEC IS AWARE, USTR RAISED THESE QUESTIONS IN THE 13-16 SEPTEMBER MEETINGS IN GENEVA AND IN BEIJING IN MID-OCTOBER BUT HAVE YET TO RECEIVE A RESPONSE.

0 ONE GENERAL CONCERN THAT WE HAVE IS THAT THE SCHEDULE IN MANY RESPECTS APPEARS SIMPLY TO CONDONE THE CURRENT STATE OF PLAY IN THE MARKET, RATHER THAN PRESENTING AN ACTION PLAN FOR GRADUAL LIBERALIZATION - - IN THE SPIRIT OF THE GATS AGREEMENT.

0 THERE ARE ALSO A NUMBER OF VAGUE CONDITIONS FOR MARKET ACCESS THAT REQUIRE EXPLANATION, INCLUDING THE NOTION THAT LICENSES MAY (OR MAY NOT) BE GRANTED "IN LINE WITH ECONOMIC NEEDS" OR "IN LINE WITH CHINA'S ECONOMIC DEVELOPMENT." WE

ASK THAT CHINA STIPULATE AS SPECIFICALLY AS POSSIBLE IN ITS SCHEDULE THOSE CRITERIA.

0 IN KEY AREAS, HOWEVER, THE SCHEDULE DOES NOT YET MEET U.S. REQUIREMENTS.

TWO KEY SECTORS, OF GREAT INTEREST TO THE UNITED STATES -- DISTRIBUTION SERVICES AND AUDIOVISUAL SERVICES -- ARE NOT YET ADDRESSED IN THE SCHEDULE. CHINA'S SCHEDULE ALSO DOES NOT OFFER A PROPOSAL ON ENVIRONMENTAL SERVICES.

IN INSURANCE, THE SCHEDULE DOES NOT PROVIDE FOR SUFFICIENT MARKET ACCESS. WE FIND IT DIFFICULT TO UNDERSTAND WHY A SCHEDULE THAT WOULD PERMIT EVEN GRADUAL LIBERALIZATION HAS NOT YET BEEN OFFERED.

RESTRICTIONS ON ADVERTISING CONTINUE TO INHIBIT EFFECTIVE MARKET ACCESS.

CHINA'S OFFER ON TRAVEL SERVICES ALSO REMAINS UNDULY RESTRICTIVE, FORBIDDING TRAVEL AGENCIES FROM ISSUING TICKETS AND ENGAGING IN OTHER FORMS OF BUSINESS OPERATIONS.

B IN ADDITION, IN ALMOST ALL INSTANCES, THE CHINESE LIMIT THE PROVISION OF FOREIGN SERVICES TO

ECONOMICALLY ADVANCED AREAS. WHILE THIS APPROACH IS UNDERSTANDABLE IN SOME INSTANCES, IT DOES NOT SPEAK TO THE ISSUE OF FUTURE ACCESS TO AREAS BEYOND THE COASTAL REGIONS THAT ARE NOW DEVELOPING RAPIDLY. U.S. COMPANIES ARE INTERESTED NOT ONLY IN ESTABLISHING SERVICES ENTERPRISES IN CITIES IN CHINA'S COASTAL REGIONS, BUT IN THE INTERIOR AS WELL.

CHINA GRANTS NATIONAL ACCESS TO ITS DOMESTIC COMPANIES, AND THE UNITED STATES REQUESTS THE SAME OVER TIME FOR ITS SERVICES PROVIDERS.

B A NUMBER OF CURRENT CHINESE PRACTICES ALSO INHIBIT ESTABLISHMENT OF U.S. SERVICES PROVIDERS.

THESE INCLUDE:

RESTRICTIONS ON THE RIGHT OF ESTABLISHMENT, SO THAT FOREIGN INVESTORS ARE GENERALLY LIMITED TO REPRESENTATIVE OFFICES, JOINT VENTURES, OR BRANCHES -- AND ARE OFTEN EXCLUDED FROM ESTABLISHING WHOLLY-OWNED FOREIGN ENTERPRISES, SUBSIDIARIES, OR PARTNERSHIPS.

IMPOSITION OF PERFORMANCE REQUIREMENTS, INCLUDING THE REQUIREMENT TO TRANSFER TECHNOLOGY, THAT RESTRICT LEGITIMATE ENTERPRISES FROM ENTERING THE MARKET IN CHINA.

THE REQUIREMENT THAT SERVICES COMPANIES HIRE PERSONNEL ONLY FROM STATE APPROVED COMPANIES, USUALLY FESCO OR FASCO.

RESTRICTIONS ON SUCH ASSOCIATED ACTIVITIES AS THE PROVISION OF AFTER-SALES SERVICE TO PRODUCTS PRODUCED ONLY BY COMPANIES THAT HAVE A COMMERCIAL PRESENCE IN CHINA -- AND THEN ONLY WITH A CHINESE JOINT VENTURE PARTNER. CLEARLY, THE UNITED STATES REQUESTS THE RIGHT FOR U.S. COMPANIES TO OFFER AFTER-SALES SERVICES TO THE ENTIRE RANGE OF THEIR PRODUCTS, WHETHER PRODUCED IN CHINA OR IMPORTED BY THE COMPANIES CONCERNED, AND NOT NECESSARILY IN CONJUNCTION WITH A CHINESE JOINT VENTURE PARTNER.

RESTRICTIONS ON PAYMENTS AND TRANSFER.

THE ABSENCE OF TRANSPARENCY OF SERVICES RULES AND REGULATIONS.

INCONSISTENT APPLICATION OF THOSE DOMESTIC RULES AND REGULATIONS THAT ARE PUBLISHED AND MADE READILY AVAILABLE TO FOREIGN TRADERS.

B SOME OF THESE PROBLEMS ARE RELATED TO THE RAPID DEVELOPMENT OF THE SERVICES SECTOR IN CHINA AND THE ABSENCE OF WELL-ARTICULATED RULES AND REGULATIONS, AND LACK OF FAMILIARITY BY CHINESE OFFICIALS OF STANDARD INTERNATIONAL BUSINESS PRACTICES.

IN THE CONTEXT OF CHINA'S ACCESSION TO THE GATT/WTO, WE NONETHELESS REQUIRE EXPLANATIONS OF CHINA'S PRACTICES, AND ADHERENCE TO THE BASIC

PRINCIPLES OF THE GATS.

B MARKET ACCESS FOR SERVICES NOT ONLY WILL HELP CHINA'S ECONOMY BUT IS AN ESSENTIAL COMPONENT OF CHINA'S ACCESSION TO THE GATT/WTO. CHINA'S EXPERIENCE WITH FOREIGN PARTICIPATION IN CHINA'S SERVICES SECTOR SO FAR HAS BEEN VERY GOOD. U.S. SERVICES COMPANIES BRING HUGE AMOUNTS OF CAPITAL, STAY FOR THE LONGTERM, PROVIDE TECHNOLOGY AND EMPLOYMENT, AND HELP GROW THE MARKETS IN WHICH THEY OPERATE.

U.S. SERVICES COMPANIES CAN HELP CHINA ATTAIN SOME OF ITS MOST IMPORTANT ECONOMIC GOALS -- LARGE CAPITAL INFLOWS, EMPLOYMENT, INCREASED TAX REVENUES, A SOCIAL SECURITY NETWORK FOR CHINA'S WORKERS, AND A MODERN TELECOMMUNICATIONS

AND DISTRIBUTION INFRASTRUCTURE.

CHINA WILL NOT BE ABLE TO DEVELOP A MODERN MARKET ECONOMY WITHOUT A HIGHLY ARTICULATED SERVICES SECTOR, AND THAT GOAL CAN ONLY BE ACHIEVED WITH THE ASSISTANCE OF FOREIGN SERVICES COMPANIES.

IN THE UNITED STATES, THE SERVICES SECTOR PROVIDES HUGE AMOUNTS OF CAPITAL NECESSARY TO FINANCE EXPANSION OF THE ECONOMY, CREATES 9 OUT OF EVERY 10 NEW JOBS, AND PROVIDES A MAJOR PORTION OF U.S. TAX REVENUES.

B FROM THE UNITED STATES' POINT OF VIEW, THE EXPORT OF SERVICES IS ONE OF OUR AREAS OF GREATEST COMPARATIVE ADVANTAGE. WE EXPECT CHINA TO OPEN ITS MARKETS TO US WHERE WE HAVE A REAL COMPARATIVE ADVANTAGE, JUST AS WE DO TO THOSE SECTORS IN WHICH CHINA HAS A COMPARATIVE ADVANTAGE.

B FRANKLY, WE DO NOT UNDERSTAND CHINA'S

RELUCTANCE TO OPEN ITS MARKETS -- EVEN ON A GRADUAL BASIS -- IN MANY SECTORS OF GREAT IMPORTANCE TO US. CHINA CAN ONLY BENEFIT BY THE PRESENCE OF U.S. SERVICES PROVIDERS. U.S. COMPANIES ARE NOT A THREAT TO THE DEVELOPMENT OF CHINA'S SERVICES INDUSTRIES. IN FACT, WITHOUT FOREIGN COMPETITION, CHINA'S INDUSTRIES WILL NOT DEVELOP RAPIDLY ENOUGH TO SERVE THE NEEDS OF ITS MODERNIZATION PROGRAM

B AS WE HAVE SAID MANY TIMES, CHINA WILL NOT BE ABLE TO ACCEDE TO THE GATT/WTO WITHOUT A SOLID SERVICES SCHEDULE. GENUINE MARKET ACCESS FOR SERVICES IS A REQUEST NOT ONLY OF THE UNITED STATES BUT OF CHINA'S OTHER MAJOR TRADING PARTNERS AS WELL.

B WE HOPE TO BUILD ON THE MUCH IMPROVED SERVICES SCHEDULE THAT CHINA HAS TABLED IN ORDER TO REACH AGREEMENT ON A SCHEDULE THAT WILL PROVIDE REAL, FAIR, AND EXPEDITIOUS MARKET ACCESS FOR U.S. COMPANIES.

B FOLLOWING ARE AREAS OF PRIORITY U.S. INTEREST. CLEARLY, WITHOUT SUBSTANTIAL OFFERS IN THESE AREAS, THE UNITED STATES COULD NOT ACCEPT CHINA'S SERVICES SCHEDULE.

FINANCIAL SERVICES

B WITH REGARD TO FINANCIAL SERVICES, THE UNITED STATES ASKS THAT CHINA MAKE COMMITMENTS IN ITS SCHEDULE TO ALLOW FOREIGN FINANCIAL INSTITUTIONS TO:

ENGAGE IN LOCAL CURRENCY BUSINESS;

ESTABLISH IN ALL REGIONS OF CHINA;

SERVE CHINESE ENTERPRISES AND INDIVIDUALS; AND,

UNDERWRITE AND TRADE ALL TYPES OF CHINESE SECURITIES.

B WE UNDERSTAND YOUR CONCERN THAT MARKET OPENING BE CONSISTENT WITH DOMESTIC FINANCIAL REFORM.

B EXPERIENCE IN OTHER DEVELOPING COUNTRIES HAS SHOWN THAT LIBERALIZATION COMPLEMENTS DOMESTIC REFORM AND ENHANCES THE EFFICIENCY OF THE FINANCIAL SYSTEM.

WE ARE WILLING TO CONSIDER PHASE-IN PERIODS ON FINANCIAL SERVICES PROVIDED THEY MEET OUR BASIC CONCERNS AND ARE SPECIFIED IN CHINA'S FINANCIAL

SERVICES OFFER.

INSURANCE

U.S. INSURANCE COMPANIES ARE INTERESTED IN ESTABLISHING AND INVESTING IN CHINA, BUT ARE CURRENTLY LIMITED IN LOCATION AND SCOPE. TO ATTRACT THE AMOUNTS OF INVESTMENT, CAPITAL, AND KNOW-HOW THAT CHINA NEEDS TO MODERNIZE, ESPECIALLY IN THE SERVICES SECTOR, THE UNITED STATES REQUESTS THAT CHINA OPEN ITS MARKET TO U.S. INSURANCE COMPANIES. IN PARTICULAR, THAT MEANS THAT U.S. COMPANIES SHOULD HAVE THE RIGHT TO ESTABLISH WITHOUT GEOGRAPHIC RESTRICTION IN CHINA BASED ON FAIR, NON- DISCRIMINATORY AND TRANSPARENT LICENSING PRACTICES. IN ADDITION, U.S. REQUESTS INCLUDE, BUT ARE NOT LIMITED TO, ALLOWING U.S. INSURANCE COMPANIES TO:

CHOSE THE VEHICLE OF ENTRY, INCLUDING A BRANCH, WHOLLY-OWNED SUBSIDIARY, OR JOINT VENTURE;

RECEIVE LICENSES TO OFFER THE FULL RANGE OF INSURANCE PRODUCTS IN ALL PROVINCES OF CHINA;

CHOSE THEIR OWN REINSURER;

ESTABLISH INSURANCE-RELATED COMPANIES SUCH AS BROKERS;

OFFER AND PRICE PRODUCTS BASED ON MARKET FORCES, NOT GOVERNMENT DICTATE;

DETERMINE THEIR OWN INVESTMENT OPPORTUNITIES, INCLUDING INVESTMENT IN PICC FOREIGN INSTRUMENTS.

INFORMATION (OR VALUE-ADDED) SERVICES

THE UNITED STATES WANTS CHINA TO OPEN ITS MARKET FOR INFORMATION SERVICES (ALSO CALLED ENHANCED OR VALUE-ADDED TELECOMMUNICATIONS SERVICES) TO U.S. COMPANIES INTERESTED IN MANAGING, OPERATING, AND SELLING INFORMATION AND TELECOMMUNICATIONS SERVICES. THAT MEANS, IN ADDITION TO PERMITTING COMPANIES TO OFFER SERVICES ACROSS NATIONAL BOUNDRIES, TO ALLOW THEM TO ESTABLISH COMMERCIALLY WITHIN CHINA'S BORDERS.

IF CHINA'S GOAL IS TO DEVELOP A TRULY SOPHISTICATED INFORMATION AND TELECOMMUNICATIONS SYSTEM, THE UNITED STATES REQUESTS THAT CHINA OPEN ITS SYSTEM TO ENCOURAGE THE DEVELOPMENT OF COMPETITIVE AND DIVERSE TELECOMMUNICATIONS MARKETS WITH ACTIVE FOREIGN PARTICIPATION, ESPECIALLY IN THE AREAS OF ENHANCED SERVICES, PRIVATE NETWORKS, AND MOBILE COMMUNICATIONS SERVICES.

SPECIFICALLY WITH RESPECT TO PRIVATE COMMUNICATIONS NETWORKS AND THE PROVISION OF ENHANCED SERVICES (INCLUDING ELECTRONIC MAIL, REMOTE COMPUTER PROCESSING, AND ONLINE DATABASES), WE URGE CHINA TO SUBSCRIBE TO SUCH PRINCIPLES AS PERMITTING FOREIGN COMPANIES TO:

USE ANY PUBLIC TELECOMMUNICATIONS TRANSPORT NETWORK OR SERVICE, INCLUDING PRIVATE LEASED CIRCUITS, ON A REASONABLE AND NON- DISCRIMINATORY BASIS.

USE PROPRIETARY OPERATING SOFTWARE AND PRIVATELY OWNED COMMUNICATIONS OR OTHER EQUIPMENT CONNECTED FREELY TO THE PUBLIC TELECOMMUNICATIONS NETWORKS.

USE PUBLIC TELECOMMUNICATIONS TRANSPORT NETWORKS OR SERVICES FOR THE MOVEMENT OF INFORMATION DOMESTICALLY AND INTERNATIONALLY.

PROVIDE ENHANCED OR VALUE-ADDED SERVICES WITHOUT THE PUBLIC SERVICE RESPONSIBILITIES IMPOSED ON PUBLIC NETWORK OPERATORS.

IN ADDITION, WITH RESPECT TO THE EQUIPMENT NEEDED

FOR SUCH SERVICES CHINA SHOULD ADOPT INTERNATIONALLY ACCEPTED PRACTICE RELATED TO: (1) LIMITING THE STANDARDS APPLICABLE TO THE ATTACHMENT OF EQUIPMENT TO THE PUBLIC TELECOMMUNICATIONS TRANSPORT NETWORKS; (2) STANDARDS-SETTING PROCESSES; (3) OFFICIAL APPROVALS FOR TELECOMMUNICATIONS EQUIPMENT; AND (4) RECOGNITION OF TECHNICAL TEST RESULTS PERFORMED IN OTHER COUNTRIES BY TECHNICALLY COMPETENT ENTITIES.

DISTRIBUTION SERVICES

U.S. COMPANIES ARE INTERESTED IN MAKING THEIR FULL RANGE OF PRODUCTS AVAILABLE IN THE CHINESE MARKET, BUT ARE CURRENTLY RESTRICTED IN SO DOING. THEY WANT THE RIGHT TO MANAGE AND OPERATE BUSINESSES, THAT IS, TO SET UP COMMERCIAL ESTABLISHMENTS IN CHINA IN THE MANNER OF GREATEST COMMERCIAL

ADVANTAGE TO THEM, AS THEY DO IN OTHER MODERN ECONOMIES. THEY WANT THE ABILITY TO:

HAVE DIRECT ACCESS TO DISTRIBUTION NETWORKS OR THE RIGHT TO DISTRIBUTE THEIR DISTRIBUTION NETWORKS;
WHOLLY-OWN RETAILING, WHOLESALING, LEASING AND HOLDING, VALUE- ADDED SERVICES, ETC.

OPERATIONS;
ADVERTISE AT A NON-DISCRIMINATORY RATE;
CONDUCT DIRECT MARKETING AND PROVIDE AFTER-SALES SERVICE;
DETERMINE COMPETITIVE-RELATED ACTIVITIES SUCH AS PRODUCT PRICE, QUANTITY, IMPORT COMPOSITION, LOCATION AND QUALITY.

AUDIOVISUAL SERVICES

0 MARKET ACCESS FOR AUDIOVISUAL SERVICES, INCLUDING FOR MOTION PICTURES AND SOUND RECORDINGS, IS A MAJOR CONCERN FOR THE UNITED STATES. CHINA'S SCHEDULE DOES NOT YET INCLUDE AN OFFER. WE REQUEST UNRESTRICTED ACCESS, INCLUDING THE RIGHT TO ESTABLISH COMMERCIAL USING THE ENTRY VEHICLE OF CHOICE IN THIS SECTOR.

0 IN ADDITION, WE REQUEST THAT CHINA ELIMINATE FORMAL AND INFORMAL QUOTAS -- WHETHER ISSUED FORMALLY BY CENTRAL GOVERNMENT ORGANIZATIONS OR ISSUED THROUGH CHINA'S MONOPOLY IMPORTERS. AS A FIRST STEP, THESE QUOTAS SHOULD BE MADE TRANSPARENT.

0 WE ARE PREPARED TO ACCEPT CENSORSHIP REQUIREMENTS, BUT ALSO ASK THAT THEY BE MADE TRANSPARENT AND BE ENFORCED UNIFORMLY.

ADVERTISING

0 AS IN OTHER SECTORS, U.S. COMPANIES ARE OFTEN PLEASED TO PARTNER WITH CHINESE FIRMS THROUGH JOINT VENTURES OR OTHER ARRANGEMENTS -- BUT THEY SEEK THE RIGHT TO ESTABLISH WHOLLY FOREIGN OWNED COMPANIES.

WE THEREFORE REQUEST THAT CHINA

PROVIDE FOR THE RIGHT TO ESTABLISH A COMMERCIAL PRESENCE IN CHINA THROUGH ANY VEHICLE THAT ACCORDS WITH THE COMMERCIAL INTERESTS OF THE PARTICULAR COMPANIES -- IE, BRANCH, SUB, PARTNERSHIP, WHOLLY-OWNED FOREIGN ENTERPRISE OR JOINT- VENTURE.

0 ONE OF THE ADVANTAGES OF SERVICES COMPANIES IS THAT THEY TRANSFER TECHNOLOGY AS A PART OF THEIR ORDINARY BUSINESS DEALINGS. WE OBJECT, HOWEVER, TO THE PROVISION IN CHINA'S SERVICES OFFER THAT CONDITIONS ESTABLISHMENT ON TRANSFER OF TECHNOLOGY REQUIREMENTS.

FAIR ACCESS TO CHINA'S ADVERTISING MARKET DOES NOT MEAN THAT FOREIGN COMPANIES MUST PROVIDE THEIR MOST ADVANCED TECHNOLOGIES TO A CHINESE PARTNER.

0 CHINA'S PRICE STRUCTURE FOR ADVERTISING CONTINUES TO BE HIGHLY DISCRIMINATORY. THE THREE TIER RATE STRUCTURE FOR ADVERTISEMENTS CHARGED BY CHINESE GOVERNMENT MEDIA ORGANIZATIONS -- THAT IS, THE HIGHEST RATES FOR ADVERTISEMENTS PLACED BY FOREIGN COMPANIES OUTSIDE OF CHINA, THE SECOND HIGHEST FOR JOINT VENTURES, AND THE LOWEST FOR CHINESE ENTERPRISES -- SHOULD BE ELIMINATED IMMEDIATELY.

CHINA HAS PLEDGED IN BILATERAL SERVICES DISCUSSIONS THAT IT WILL ELIMINATE

DISCRIMINATORY PRICING IN ADVERTISING BY THE END OF THE YEAR. WE EXPECT CHINA TO HONOR THIS PLEDGE.

0 FINALLY, WE ASK THAT CHINA MAKE ITS CENSORSHIP RULES UNIFORM AND TRANSPARENT. THE CURRENT POLICY OF PERMITTING THE HEAD OF EACH MEDIA ORGANIZATION TO MAKE ITS OWN -- NONTRANSPARENT -- DECISIONS ON CENSORSHIP RESTRICTS FAIR ACCESS TO THE ADVERTISING MARKET.

OTHER CONCERNS

0 IN THOSE SECTIONS OF CHINA'S OFFER WHERE MARKET ACCESS IS RESTRICTED TO "ECONOMICALLY DEVELOPED AREAS," THOSE AREAS THAT ARE DEFINED APPEAR TO OMIT KEY CITIES SUCH AS BEIJING, AND INLAND AREAS, SUCH AS SICHUAN, THAT ARE DEVELOPING RAPIDLY AND CLEARLY WILL BE PRIME TARGETS FOR FOREIGN TRADE AND INVESTMENT IN SERVICES IN THE COMING YEARS. WHAT ARE CHINA'S PLANS FOR EXPANDING ITS OFFER IN THIS RESPECT?

0 ON LEGAL SERVICES, WE APPLAUD CHINA'S DECISION TO OPEN ITS MARKET AT LEAST ON AN EXPERIMENTAL BASIS. BUT CHINA'S CURRENT OFFER AT BEST REPRESENTS A STANDSTILL OF THE CURRENT ARRANGEMENTS. U.S. LAW FIRMS SEEK THE RIGHT OVER TIME TO PRACTICE LAW IN CHINA, REPRESENTING CHINESE AS WELL AS FOREIGN CLIENTS, SO LONG AS THEY MEET CHINESE REQUIREMENTS.

0 ON THE ISSUE OF ESTABLISHMENT, THE SOLE ENTRY VEHICLE PERMITTED FOREIGN LAW FIRMS IS THE REPRESENTATIVE OFFICE. AS YOU NOW, THESE OFFICES ARE NOT, BY LAW, PERMITTED TO ENGAGE IN PROFIT-MAKING ACTIVITIES - - THOUGH IN PRACTICE, THE CHINESE GOVERNMENT TAXES REPRESENTATIVE OFFICES AS THOUGH THEY WERE ENGAGED IN THOSE ACTIVITIES.

WE REQUEST THAT LAW FIRMS BE PERMITTED TO ESTABLISH FIRMS IN CHINA, WITH BRANCHES PERMITTED IN OTHER CITIES.

0 ON ACCOUNTING SERVICES, DOES THE CHINESE OFFER PERMIT FOREIGN FIRMS TO SET UP PARTNERSHIPS, THE USUAL FORM OF INCORPORATION, AS OPPOSED TO "BRANCHES?"

0 ON DATA PROCESSING AND RELATED COMPUTER INFORMATION SERVICES, CAN WE CONSTRUE CHINA'S OFFER TO MEAN THAT SUCH SERVICES ARE ALLOWED ACCESS TO CHINA'S TELECOMMUNICATIONS NETWORK -- SO THAT THEY CAN OFFER SUCH SERVICES NATIONWIDE?

0 ON MAINTENANCE AND REPAIR SERVICES (P. 13), THE UNITED STATES REQUESTS THAT CHINA PERMIT U.S.

COMPANIES TO CHOOSE FROM THOSE ENTRY VEHICLES THAT BEST SERVE THEIR COMMERCIAL INTERESTS -- INCLUDING, BUT NOT RESTRICTED TO, JOINT VENTURES.

IN ADDITION, THE UNITED STATES REQUESTS THAT CHINA CHANGE EXISTING REGULATIONS THAT FORBID U.S. COMPANIES FROM OFFERING AFTER SALES SERVICE FOR ONLY THOSE PRODUCTS THAT THEY EITHER PRODUCE OR SELL DIRECTLY TO THE CHINESE MARKET -- TO ALL PRODUCTS.

THIS RESTRICTION HARMS THE REPUTATION OF U.S. COMPANIES AND DEPRIVES CHINESE CONSUMERS OF SERVICE FOR PRODUCTS THEY BUY IN CHANNELS OTHER THAN THOSE OFFERED DIRECTLY BY U.S. COMPANIES.

0 ON GENERAL MANAGEMENT CONSULTING SERVICES, WHY HAS CHINA CHOSEN TO LIMIT COMMERCIAL PRESENCE TO THOSE COMPANIES THAT HAVE PROFESSIONAL STAFF OF 200 OR MORE?

(OILFIELD SERVICES, LIMITED TO OIL AND/OR GAS FIELDS OPERATED BY CHINESE CORPORATIONS?)

0 ON CONSTRUCTION AND RELATED ENGINEERING SERVICES, CHINA'S OFFER DOES NOT APPEAR TO OFFER MARKET ACCESS FOR U.S. COMPANIES. WHAT ARE THE PROVISIONAL MEASURES ON THE QUALIFICATION OF FOREIGN ENTERPRISES IN PROJECT CONSTRUCTION IN CHINA (UNDER CAT 3 IN NATIONAL TREATMENT) AND HOW DO THEY AFFECT MARKET ENTRY?

0 SIMILARLY, ON EDUCATIONAL SERVICES, WHY IS CATEGORY 3 UNBOUND? (HOW DID THE DALIAN MANAGEMENT SCHOOL OPERATE?)

0 ON AVIATION SERVICES, CAN WE READ CHINA'S OFFER IN CAT 3 ON MARKET ACCESS TO INCLUDE ACCESS TO DUTY-FREE SHOPPING IN AIRPORTS? TO DATE, WE HAVE HAD GREAT DIFFICULTY IN GAINING ACCESS TO THIS SECTOR.

WE DO NOT UNDERSTAND CHINA'S RATIONALE FOR REQUIRING THAT THE CHINESE SIDE HAVE 51 PERCENT SIGN OF THE REGISTERED CAPITAL AND THAT THE BOARD CHAIRMAN AND GENERAL MANAGEMENT BE CHINESE. ON THE SURFACE, THIS APPEARS TO BE AN UNDUE RESTRICTION ON MARKET ACCESS. SUCH DECISIONS SHOULD BE BASED ON COMMERCIAL CONSIDERATIONS. WHAT IS THE RATIONALE?

0 ON TOURISM SERVICES, CHINA DOES NOT ACCORD FOREIGN TOURISM COMPANIES THE RIGHT TO ISSUE TICKETS, A KEY INTEREST. WE REQUEST THAT THIS RIGHT BE INCORPORATED INTO CHINA'S SCHEDULE.
CHRISTOPHER