Case Number: 2010-1024-F

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re: AUSTR Cassidy's Meetings (5 pages)	07/26/1997	P1/b(1)
002. paper	Issue. (6 pages)	n.d.	P1/b(1)
003. cable	re: Report on U.S.-China Bilateral Meetings (8 pages)	03/07/1997	P1/b(1)
004. memo	For Stuart Eizenstat from Charles Kartman. Subject: Your Meeting with Chinese MOFTEC Vice Minister. (4 pages)	06/18/1997	P1/b(1)
005. memo	For Charlene Barshefsky from Robert Cassidy and Christina Lund. Subject: Your Meeting with Chinese Vice Minister (3 pages)	06/13/1997	P1/b(1)
006. memo	For Dan Tarullo from Lee Sands. Subject: Your Meeting with MOFTEC Acting Vice Minister (2 pages)	10/09/1996	P1/b(1)
007. cable	re: China/WTO (6 pages)	02/25/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Lael Brainard
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FOLDER TITLE:

China WTO1997 [2]

2010-1024-F
vz1796

RESTRICTION CODES

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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

WTO Survey Results

January 30, 1997

<u>*Executive Summary*</u>

Late last year, the US-China Business Council surveyed its member companies to identify priority issues in the ongoing negotiations with China regarding the PRC's WTO accession and to specify reasonable time frames for China to meet its WTO obligations. While the survey responses reveal a number of company-specific problems encountered both in penetrating and operating within the China market, a few key issues cut across industry sector lines and are perceived by the business community as negotiating priorities for US trade officials. These are:

1. *Transparency of trade and investment policies*
2. *Permanent MFN trading status for China*
3. *Trading rights for foreign-invested enterprises (FIEs)*
4. *Technical standards and inspection requirements as a non-tariff barrier to trade*
5. *Trade-related investment measures (TRIMs)*
6. *Trade-related intellectual property rights (TRIPs)*

Liberalization of China's service industries is another important concern of US firms targeting the China market. The most important and immediate needs to be addressed include the opening of the following sectors:

1. *Distribution, wholesale, and retail*
2. *Maintenance and repair (after sales service)*
3. *Banking*
4. *Telecommunications*

Overall, the US-China Business Council membership strongly supports China's WTO accession in the near term and is hopeful that an adequate protocol of accession can be concluded within the next 1-2 years. We would strongly urge that both US and PRC trade officials keep these issues in mind as we work toward completing the accession package.

Introduction

Member firms of the US-China Business Council strongly support China's accession to the World Trade Organization (WTO), provided a commercially viable protocol can be negotiated. China is the world's 10th largest trading nation and the United States' 5th largest trading partner. China attracts nearly $50 billion in foreign direct investment each year, second only to the United States, and will soon be the largest economy in the world. China is too big and too important to remain outside the WTO, unbounded by the rules of the world trading system. It is essential to bring China in with a protocol that maintains the integrity of that system, yet does not threaten China's own development objectives.

Aetna
Michael George
Brent Free Chubb
Orit Frenkel 637-4273
Cadbury 4268

Margaret Charles
Mo 371-6926

Lisa Barry

Kevin Mulvey

GeorgeTesler
Kodak
SandraTaylor
Chris Padilla

Gingrich/Lott
WH mtg before lunch
Go count [illegible]

? BIT + Tax ?
Treaty

Ag : SPS

→ Dist/transport/w/sale/retail...
trading rights - services...

Treaty rights?
just Chinese entities?

Ford - Keith Riley Detroit

GM - Stanley
Fal

Cargill Minneapolis
Dan Pearson
David Hulbert

Newsome/AT&T William Warrick
No. Carolina
Wilm
Art Coberg HK

Ameritech left
Unicom Jintienan
MPT

CHINA-WT097

DTG: 291440Z JUL 97
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CONTROLS:
UNCLAS GENEVA 005100
E.O. 12958 N/A
USDA FOR OSEC/DRAZEK AND SCHROEDER; FAS FOR ITP/SHEIKH,
MTND/WIGGIN AND ALFALLA
USTR ELECTRONICALLY FOR SCHER, DWOSKIN AND GREEN
STATE FOR EAP/LEVINE AND EB/ATP
NEC/BRAINARD
NSC

E.O. 12958: N/A
BODY:
TAGS: EAGR, ETRD, WTRO, USTR
COMBINE: COMPLETE

SUBJECT: WHERE'S THE BEEF? AGRICULTURE FRIENDLIES WAITING FOR IMPROVED OFFERS IN CHINA WTO ACCESSION

1. SUMMARY: MEMBERS OF THE AGRICULTURE G-8, PLUS BRAZIL AND URUGUAY, ALL STATED THAT THEY FOUND CHINA'S IMPROVED OFFERS ON AGRICULTURE INSUFFICIENT AND ARE CONTINUING TO RAISE AGRICULTURE MARKET ACCESS AND SUBSIDY ISSUES WITH THE CHINESE. THERE WAS GENERAL SUPPORT FOR THE U.S. APPROACH ON TRQ ADMINISTRATION, ALTHOUGH SEVERAL OF THE GROUP EMPHASIZED THAT THEY WERE LOOKING FORWARD TO MORE DISCUSSIONS WITH THE CHINESE AND THE U.S. OVER THE SPECIFICS OF THE SYSTEM. END SUMMARY.

2. THE U.S. DEL MET WITH ARGENTINA, AUSTRALIA, BRAZIL, CANADA, JAPAN, NEW ZEALAND, THAILAND, AND URUGUAY ON 28 JULY IN GENEVA TO DISCUSS WHERE COUNTRIES STAND ON BILATERAL MARKET ACCESS ISSUES. THE UNITED STATES OPENED THE MEETING BY REVIEWING U.S. DISCUSSIONS WITH CHINA ON THE TARIFF-RATE QUOTA (TRQ) SYSTEM FOR STATE-TRADED PRODUCTS IN WASHINGTON IN JUNE AND IN BEIJING IN JULY AND CHINA'S MARGINAL IMPROVEMENTS IN ITS TARIFF OFFER IN JULY. THE UNITED STATES INFORMED THE OTHER COUNTRIES THAT MAKING PROGRESS ON THE TRQ SYSTEM REMAINS THE TOP PRIORITY FOR THIS STAGE OF THE NEGOTIATIONS ON AGRICULTURE ISSUES, BUT THAT IT CONTINUES TO PRESS CHINA FOR PROGRESS ON A WIDE VARIETY OF ISSUES, INCLUDING SANITARY AND PHYTOSANITARY MEASURES, TARIFFS, SUBSIDIES, AND GENERAL ADHERENCE TO WTO RULES.

3. NEW ZEALAND REPORTED THAT IT HAD RECEIVED AN IMPROVED OFFER ON WOOL, WHICH IT IS STUDYING CAREFULLY AND THAT CHINA HAD HINTED IT WOULD AGREE TO BIND ITS EXPORT SUBSIDIES AT ZERO. HOWEVER, NEW ZEALAND HAS NOT AGREED TO THE WOOL OFFER AND CONTINUES TO HAVE SYSTEMIC CONCERNS REGARDING THE AGRICULTURE PACKAGE, PARTICULARLY REGARDING THE TRQ SYSTEM AND SUBSIDY COMMITMENTS.

4. URUGUAY REPORTED THAT IT HADN'T MET WITH CHINA SINCE THE MAY WORKING PARTY, ALTHOUGH THE URUGUAYAN PRESIDENT HAD TRAVELED TO CHINA AND PRESSED FOR FURTHER CONCESSIONS ON AGRICULTURAL PRODUCTS (PARTICULARLY

WOOL). URUGUAY NOTED THAT CHINA APPEARS TO BE BACKTRACKING ON SOME VERBAL TARIFF OFFERS ON FISH, BUT WOULD LOOK AT WHAT HAD BEEN OFFERED TO NORWAY.

5. ARGENTINA STATED THAT CHINA'S TARIFF OFFERS, EVEN WITH THE MARGINAL IMPROVEMENTS RECENTLY PROPOSED BY CHINA, ARE NOT COMMERCIALLY VIABLE AND THAT IT IS PRESSING FOR FURTHER IMPROVEMENTS. ARGENTINA CONTINUES TO PRESS CHINA AGGRESSIVELY ON A RANGE OF TRQ ISSUES, INCLUDING THE USE OF A 3-YEAR RATHER THAN A 5-YEAR BASE FOR ESTABLISHING TRQ QUANTITIES, GROWTH IN THE TRQ QUANTITIES, AND SUBSIDY ISSUES, INCLUDING SPECIAL AND DIFFERENTIAL TREATMENT PROVISIONS AND GREEN BOX COVERAGE. ARGENTINA ALSO MENTIONED A POSSIBLE LINKAGE THAT CHINA WAS MAKING BETWEEN THE ZERO EXPORT SUBSIDIES AND APPLICATION OF LDC PROVISIONS ON INPUT AND INVESTMENT SUBSIDIES.

6. AUSTRALIA REPORTED THAT CHINA HAD GIVEN AN IMPROVED OFFER ON WOOL, WHICH IT IS TRYING TO IMPROVE FURTHER. AUSTRALIA EXPRESSED AN INTEREST IN HEARING MORE ABOUT THE CHINESE PROPOSAL TO BIND EXPORT SUBSIDIES AT ZERO. AUSTRALIA NOTED THAT THE CAIRNS GROUP WILL MAKE A STATEMENT AT THE WORKING PARTY LAYING OUT CAIRNS GROUP EXPECTATIONS FOR THE NEGOTIATIONS ACROSS A RANGE OF AGRICULTURE ISSUES.

7. CANADA REPORTED THAT IT HAS NOT HAD BILATERAL MEETING WITH CHINA SINCE MAY, ALTHOUGH VICE-MINISTER LONG HAD VISITED OTTAWA IN MAY AND HINTED AT IMPROVEMENTS ON MARKET ACCESS (WHICH CANADA IS STILL WAITING TO SEE). CANADA EXPRESSED PARTICULAR CONCERN REGARDING THE TRQ ADMINISTRATION SYSTEM, NOTING THAT 45% OF ALL ITS EXPORTS TO CHINA, AND 95% OF ITS AGRICULTURAL EXPORTS, WOULD BE COVERED BY CHINA'S TRQ SYSTEM.

8. BRAZIL REPORTED THAT CHINA HAS NOT MADE ANY IMPROVEMENTS IN ITS OFFER ON AGRICULTURAL PRODUCTS, AND THAT BRAZIL WAS PARTICULARLY CONCERNED ABOUT TRQ ISSUES, ESPECIALLY WITH RESPECT TO VEGETABLE OIL.

9. THAILAND REPORTED THAT CHINA HAD MADE MARGINAL IMPROVEMENTS IN ITS TARIFF OFFER AND THAT MOST OF THE BILATERAL ISSUES UNDER DISCUSSION REVOLVED AROUND THE PROPOSED TRQ FOR RICE. THAILAND EXPRESSED OTHER CONCERNS, SUCH AS THE LONG PHASE-OUT FOR THE NTMS ON RUBBER (15 YEARS).

10. JAPAN CONTINUES TO HAVE CONCERNS REGARDING CHINA'S REQUEST FOR SPECIAL AND DIFFERENTIAL TREATMENT FOR SUBSIDIES AND A 6 TO 10 YEAR IMPLEMENTATION PERIOD. JAPAN SUPPORTED THE U.S. POSITION FOR IMPLEMENTATION OF REDUCTION COMMITMENTS BY THE YEAR 2000. SELF

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Gephardt chafing over Barshefsky's China stall

BY JOHN MAGGS
JOURNAL OF COMMERCE STAFF

WASHINGTON — For seven months, U.S. Trade Representative Charlene Barshefsky has refused a congressional request to report on the economic impact of China's joining the World Trade Organization.

House Minority Leader Richard Gephardt, who made the request, seems to be losing his patience.

In a letter last week to the trade representative, Mr. Gephardt, D-Mo., said he was writing "once again" to request the study by the International Trade Commission, which had volunteered months ago that it was ready and willing to report on the issue.

His letter refers to the imminent announcement of an October visit to Washington by Chinese President Jiang Zemin, a meeting that has long been linked to some kind of agreement on China's joining the WTO.

The talks made modest progress earlier this year, but have been bogged down since early spring by China's unwillingness to make market-opening offers.

Another factor has been the congressional investigation of the charge China tried to corrupt U.S. elections, something that has made the White House wary about being seen making concessions to China and reinforced China's unwillingness to provide its bottom-line offer in the talks.

The ITC has normally been asked to report on major trade negotiations like the North American Free Trade Agreement and the Uruguay Round of global trade talks. With no such giant initiatives now under way, the China talks are probably the most important being handled by Ms. Barshefsky.

While the executive branch retains the power to commission ITC reports, past trade representatives have usually acceded to requests from congressional leaders. On those occasions where the trade representative has refused, it has usually been for partisan reasons.

In this case, the conflict is within the Democratic Party. Mr. Gephardt has introduced a bill giving Congress a veto over the terms of China's admission to the WTO, but that legislation is unlikely to pass.

A spokesman for Ms. Barshefsky offered no explanation for not responding to Mr. Gephardt's request, and said his boss would not comment on the new letter until meeting with the minority leader.

In the past seven months, however, there have been numerous occasions for the trade representative to hash this out with Mr. Gephardt.

It is not clear why the administration would oppose an objective ITC report on the impact of China joining the WTO. By virtue of longstanding bilateral agreements with China, the United States already offers the same low tariffs for imports from China that it offers most other countries, so there will be no U.S. tariff-cutting connected with that admission.

The United States has already agreed to eliminate U.S. quotas on textile and apparel imports from China by 2005, the same date as for WTO members. That could result in a sharp increase in imports from China, which might be predicted in an ITC study.

Once China joins the WTO, for all practical purposes the United States will lose the ability to impose unilateral trade sanctions on China for trade violations, but it will gain the ability to challenge those violations within the WTO.

The Journal of Commerce
SINCE 1827
L. 413 NO. 29,023 MONDAY JULY 28, 1997 $1.50 AC
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WASHINGTON DC 20500

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CHINA and the WTO

Next year China is likely to surpass Japan to become the single largest source of the U.S. trade deficit. Administration officials attribute this to unfair Chinese trading practices and propose to use China's desire to become a member of the World Trade Organization (WTO) as a lever to force far-reaching changes in China's trade regime. This approach runs the risk that China, the world's tenth-largest producer of export goods and the largest trading country in the world not already subject to the disciplines of the established international trading system, will elect to remain outside the WTO indefinitely.

Such an outcome would be undesirable for the future of the world trading system, China's economic evolution, and the U.S.-China relationship. China's membership in the WTO will serve U.S. interests by providing a mechanism for dealing with inevitable trade frictions on a multilateral rather than a purely bilateral basis. It would also allow the United States to concentrate in the bilateral diplomatic channel on critical strategic issues. As a result, the United States should moderate its demands for reform as a precondition for China's membership in the WTO. In exchange the United States should expect China to agree to a schedule that would gradually bring the country into compliance with WTO standards.

Nicholas R. Lardy

POLICY BRIEF

November 1996
No. 10

COMMON AND UNCOMMON SENSE FROM THE BROOKINGS INSTITUTION

THE UNITED STATES
TRADE REPRESENTATIVE
WASHINGTON

Lael -

Sorry for the delay. I'll be sending over some more general points for your use, as well, once we finish them.

Deborah

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CATEGORIES:

AP--ri BC-WTO-China
Story: i3836
Time: 03-06-97 2117EST
Ref: 0603

BC-WTO-China 3-6 0603 China unveils 'breakthrough' move in WTO entry bid

GENEVA, March 7 (Kyodo) _ By: Hiro Aida China has announced it will grant all enterprises in the country the right to import and export after a three-year transition period, removing a major roadblock for Beijing to join the World Trade Organization (WTO).

In making the announcement Thursday, Long Yongtu, chief negotiator for China's entry to the WTO, called the move "a breakthrough" in the accession talks at the end of a three-day WTO working-party meeting on the issue.

China currently allows only 12,000 companies, which are exclusively given so-called "trading rights" by the government, to trade with foreign countries, though the number of companies with such rights has increased from a nominal 18 in 1978, according to Long.

"This is the biggest, concrete agreement this time round. The Chinese government has taken a bold decision," said Hirokazu Okumura, deputy director general at Japan's Ministry of International Trade and Industry (MITI).

The latest Chinese step will allow, for example, a Japanese joint-venture factory in China to import necessary parts directly from Japan without going through one of authorized Chinese trading houses, according to Japanese officials.

Long also announced China would fully implement a WTO agreement on intellectual property rights immediately upon its admission without seeking preferential treatment.

The WTO allows developing member countries to have a five- to 10-year grace period before full implementation, but China decided not to use the preferential step upon its entry to the WTO.

Long's announcement may be a strong signal to the United States, which has experienced repeated trade conflicts with Beijing on copyrights, but it is also good for Japan, a Japanese official said.

Earlier this week, China told its trading partners it will remove all of its remaining import quotas within 12 years instead of 15 years previously offered.

"It is still unsatisfactory. The period doesn't meet the expectations of many governments," said Toshinori Shigeie, deputy director general at Japan's Foreign Ministry, who headed the Japanese negotiating team along with Okumura.

"However, the atmosphere of the negotiations was extremely good. There was a lot of progress," Shigeie said.

Long told the working-party meeting, "Important progress has been made in negotiations thanks to the political will to push forward this process as well as a flexible and pragmatic approach of many WTO members and China."

"It is my feeling that good progress was made," said Pierre-Louis Girard, Swiss chairman of the WTO working party, who redrafted a protocol document which sets out agreed terms under which China could join.

China also submitted a 117-page annex document to the draft protocol, which elaborates on various trade measures such as the schedule to remove import quotas.

All these moves were praised by the delegates who attended the meeting, but "some delegates made the point that there is still a great deal of work to do in various areas," one envoy said.

Negotiations on China's market opening of services such as banking, insurance and telecommunications are still to come, trade officials said. Agricultural trade is another outstanding issue.

Some countries still have strong concern about statutory inspection on imports and discriminatory application of various manufacturing standards.

"The talks have accelerated, but it's still very hard to predict when they will come to a conclusion," a Japanese negotiator said.

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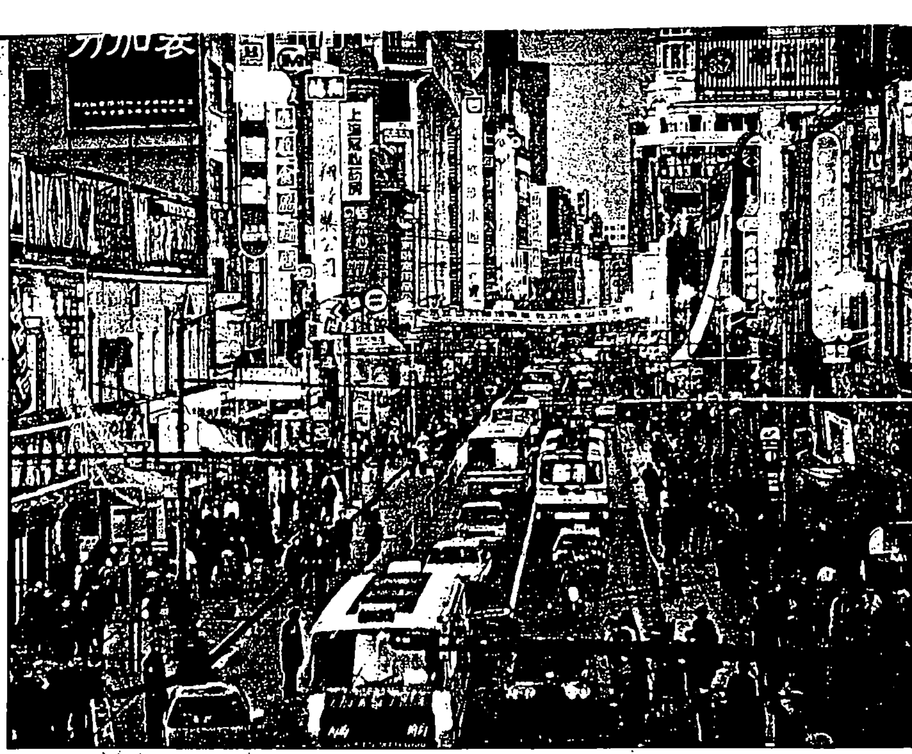


GREG GIRARD—CONTACT

Breakneck growth: *Consumers check out the good life on Nanjing Road in Shanghai*

DIPLOMACY

So Let's Be Friends

Will Clinton strike a trade deal with China?

BY MARC LEVINSON AND GEORGE WEHRFRITZ

U.S. WARSHIPS COUNTER CHINESE warnings about elections in Taiwan. Washington threatens trade sanctions if China doesn't stop the piracy of software and CDs. China threatens to buy airplanes from Europe rather than America if Congress keeps raising Cain about human-rights violations.

In the off-again, on-again relationship between the world's most populous country and the world's largest economy, 1996 has been another very rocky year. But if Bill Clinton wins re-election, 1997 could well be the year of the deal. U.S. and Chinese officials are quietly moving to end a decade-old quarrel over trade—and, both sides hope, "normalize" badly strained relations. Says a veteran Washington trade hand, "The smell is in the air of something cooking in the kitchen."

On the record, the story is that there is no story. U.S. officials say China isn't serious about joining the World Trade Organization, the group that makes the rules for world trade. China has done little to indicate otherwise. But if you believe that, you might as well place an offer on the Brooklyn Bridge. Signs of a Sino-American mating dance are unmistakable. Last month the Clinton administration replaced its negotiator for the China-WTO talks. The change is "extremely significant," says an adviser close to the White House. Adds Douglas Paal, a former National Security Council staffer, "There are signs of animated activity within the administration."

Far more than trade is at stake. Misreading China is widely regarded as one of the Clinton administration's biggest foreign-policy blunders. Beijing is unhappy that Secretary of State Warren Christopher has paid 21 visits to the Middle East and only one to China, and Clinton himself told The New York Times in July that his efforts to use trade as a lever to force China to improve its human-rights record were "simply not right." Last spring, after China tested missiles to warn the Taiwanese against declaring independence and Washington responded by sending the navy into the Taiwan Strait, both sides determined to calm things down. The long-stalled WTO talks may offer the fastest route from anger to mutual admiration. "It's clearly an area where we could take an important step and get substantial forward movement," says University of Michigan Sinologist Kenneth Lieberthal.

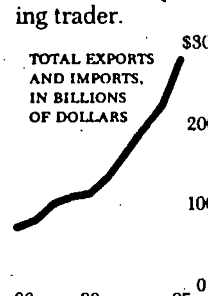
Not that the issues are simple. China's efforts to join the WTO's predecessor, the General Agreement on Tariffs and Trade, foundered on issues like the country's import controls and separate GATT membership for Taiwan. The issues haven't changed much since then, but the economics have. China's free-market reforms have pulled in $150 billion of foreign investment, much of it aimed at producing for export. With molding machines and punch presses pouring into China and everything from Barbie dolls to jet tail sections coming out, foreign trade has quadrupled in a decade (chart). For the Chinese, membership in the 124-nation WTO would confirm their status as a major trading power. Perhaps more important, by locking in the most favorable U.S. tariff rates, it would end the annual congressional battle linking trade with human rights. For the United States, Europe and Japan, bringing China into the WTO would force it to play by international rules, eliminating barriers and subsidies.

But it's not so easy. For all its reforms and its breakneck growth, China is no market economy. State-owned industries are growing, not shrinking, and the government has no intention of letting imports invade their markets. Beijing freely demands that companies like Boeing invest in China if they wish to sell there. While tariffs have come down, all imports still require a permit. Nothing Beijing has put on the table would give U.S. manufacturers or service companies free access. "China's offers have not risen to the level of a Bangladesh," says acting U.S. Trade Representative Charlene Barshefsky. And while China's total imports roughly equal its exports, its $38 billion trade surplus with the United States draws unwanted attention. Rep. Richard Gephardt, who stands to become speaker if the Democrats retake the House of Representatives next month, wants Congress to vote on China's entry into the WTO.

Is China ready to deal? Barshefsky, who insists that "we can't afford to be naive on China," is likely to leave after the election; thanks to a law pushed through by Bob Dole, her past representation of foreign legal clients precludes her from becoming USTR. The Chinese seem content to await her departure before tabling a serious offer. They, too, have heard the rumors that Clinton wants the WTO issue resolved so he can invite President Jiang Zemin to Washington next fall. Both sides are eager for the visit. What's not clear is how high a price either is prepared to pay. ■

Trade Boom

From a standstill in 1978, China has now become the world's 11th-ranking trader.



SOURCE: CHINA STATE STATISTICAL BUREAU

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. memo	For Dan Tarullo from Lee Sands. Subject: Your Meeting with MOFTEC Acting Vice Minister (2 pages)	10/09/1996	P1/b(1)

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ECONOMY

Traders Skeptical of China's WTO Efforts

Beijing's Proposals Appear Empty, Improbable

By IAN JOHNSON
Staff Reporter of THE WALL STREET JOURNAL

BEIJING—When China trader Roberta Lipson wants to sell U.S.-made medical equipment, she can't just call up a hospital and cut a deal. Instead, she must go through a government-run agency, which adds little to the sale but time and costs.

As part of China's continuing pitch to join the World Trade Organization, all that is supposed to change. U.S. negotiators say China will consider scrapping laws that bar foreign companies from trading freely in China, as well as rules forcing foreign companies to export a certain percentage of their products.

But as U.S. and Chinese negotiators prepare to meet next week in Geneva, China's proposals are being received less than enthusiastically—even skeptically—by business people here.

Some of the restrictions Beijing told the U.S. it would end already have been dropped in practice. Others – notably the end to state trading monopolies – would involve such economic dislocation that some Chinese officials say they can't even conceive of the proposed reforms being implemented in the near future.

The result: Large-scale reform seems unlikely to happen soon, and foreign businesses may see little additional benefit from the WTO-entry talks.

"Foreign businesses have already benefitted from many of the changes proposed by China, so the effect will be minimal," says James V. Feinerman, a trade-law specialist at Georgetown University.

Empty Concession

The rule change that will have the lightest effect is a proposed ending of rules requiring foreign companies to "balance" their trade – forcing them to export products or import hard currency so that when they want to import raw materials they don't buy currency locally and run down China's foreign-exchange reserves.

But this is a largely empty concession, business people and analysts in China say, since Beijing last year decided to make its currency, the yuan, convertible on the current account. That allowed companies to buy foreign currency for importing goods and services, making it unnecessary to export to get hard currency.

"China got little credit when they did it last December so it's understandable that they want to take double credit, but the new offer reiterates what they've already done," says Nicholas Lardy of the Brookings Institution.

Looking the Other Way

Besides, even before partial convertibility, the foreign-exchange rules were often waived. With China's reserves topping $105 billion, the country is flush with hard currency, so officials rarely enforced the regulations.

When the Hong Kong unit of Texas Instruments Inc. recently opened a $10 million joint-venture factory in central China to produce temperature-control products, Managing Director Victor Koh says, the company wasn't asked to export finished products to pay for the raw-material imports.

"We do export about 20% of our output but export requirements were never brought up by China," Mr. Koh says. "It wasn't a factor."

As for dismantling the monopoly held by state trading companies, business people and even some Chinese officials are skeptical it will happen fast. Foreign businesses such as Ms. Lipson's U.S.-China Industrial Exchange, a Maryland-based company that exports medical and construction equipment to China, must go through the state traders to make sales. Older trading companies were often useful in giving advice and were rigorously honest, Ms. Lipson says, but a plethora of sometimes-questionable trading companies have cropped up to take the state-mandated cut.

"If these new concessions mean we can sell directly to end-users, we can make a much more direct credit decision and we can do away with one more layer of complication," Ms. Lipson says.

Painful Prospect

But forcing the trading companies to compete would bankrupt many, says Wen Xiantao of the Ministry of Foreign Trade and Economic Cooperation's Department of Treaty and Law. Poor management means many are unprofitable, Mr. Wen says, and exposing them to foreign competition isn't likely.

China's preference against lifting the trading monopolies is reflected in its previous efforts to limit foreign participation. Last year, for example, China said it would permit joint-venture trading companies, but only in two special economic zones, Shanghai's Pudong and the southern city of Shenzhen, and only if the Chinese partner had a controlling interest. To date, only South Korean conglomerate Daewoo has announced plans for a joint venture, but approval is still pending.

"Enlarging the rights of trading companies is the general trend," says Lawrence Lee, deputy director of the Ministry of Foreign Trade and Economic Cooperation's Foreign Investment Division. "But we have to consider the interests of social stability and give state trading companies

Tracking the Economy — Feb. 24, 1997

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Consumer Confidence	February	Tuesday	116.8	**116.0**
Durable Goods Orders	January	Thursday	–1.9%	**+1.4%**
Initial Jobless Claims	Week to Feb. 22	Thursday	309,000	**313,000**
Money Supply: M2	Week to Feb. 17	Thursday	–$0.5 billion	**+$5.0 billion**
Real GDP	4th qtr., revised	Friday	+4.7%*	**+4.1%**
Existing Home Sales	January	Friday	3.87 million	**3.91 million**

*Advance estimate of fourth quarter growth rate

Source: Technical Data

U.S., Five Asian Nations Plan to Meet, Aiming at Counterpart to Group of Seven

By DAVID WESSEL
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Senior finance ministry and central-bank officials from the U.S., Japan, China, Singapore, Australia and Hong Kong will kick off next week

bank, as an independent institution. Although Hong Kong is to become part of China later this year, the Hong Kong Monetary Authority is to remain independent and to control Hong Kong's $70 billion implemented in the near future.

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"Enlarging the rights of trading companies is the general trend," says Lawrence Lee, deputy director of the Ministry of Foreign Trade and Economic Cooperation's Foreign Investment Division. "But we have to consider the interests of social stability and give state trading companies the chance to reform themselves before exposing them to outside pressure."

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By DAVID WESSEL
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WASHINGTON—Senior finance ministry and central-bank officials from the U.S., Japan, China, Singapore, Australia and Hong Kong will kick off next week what participants hope will evolve into an Asian counterpart to the Group of Seven.

The group is to convene for the first time next Tuesday in Tokyo. Although a formal announcement of the group's formation is to be made by the Japanese, word of the session leaked in Sydney last week. Details were confirmed by U.S. officials.

The "Six Markets Group," or Asian G-6, is to focus on macroeconomic policies, development and supervision of financial markets and exchange rates. It's also seen as a mechanism for responding to future financial crises such as Mexico's. All six of the economies are major financial centers and have substantial international reserves.

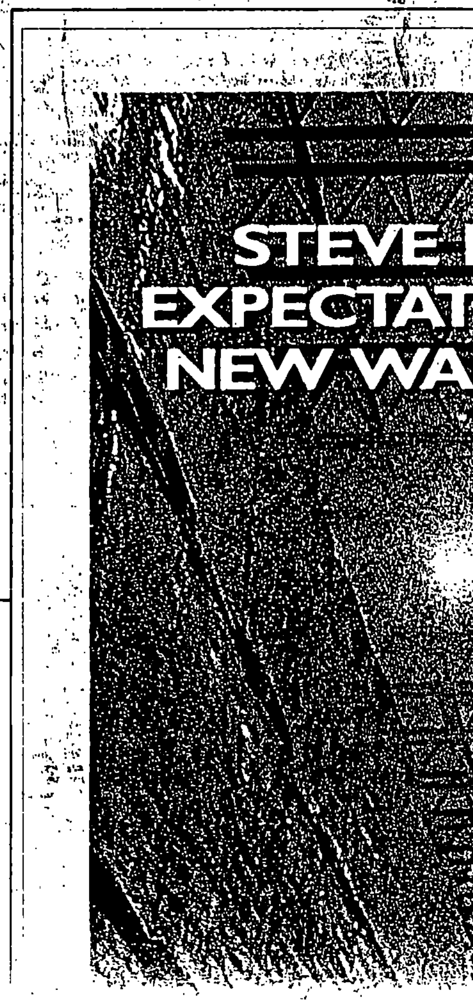
The new organization represents another manifestation of the U.S. eagerness to strengthen its ties with increasingly important Asian economies. Unlike the other major U.S.-Asian economic organization, the Asia-Pacific Economic Cooperation forum, the new one includes central bankers, who play an important role in financial-market and exchange-rate matters. The new group is also smaller than the 18-member APEC, which includes all six countries in addition to countries as small as Papua New Guinea and Brunei.

For the U.S., the G-6 also serves two other objectives: It's another way to engage Chinese officials in a dialogue on economic issues, and it helps to anchor the Hong Kong Monetary Authority, the close bank, as an independent institution. Although Hong Kong is to become part of China later this year, the Hong Kong Monetary Authority is to remain independent and to control Hong Kong's $70 billion in reserves.

Australian officials describe the group as an expansion of an existing arrangement for regular consultations among economic officials from Australia, Japan, Singapore and Hong Kong. Finance ministry and central-bank officials from the U.S. and Japan also meet regularly within the G-7 with their counterparts from Britain, Canada, France, Germany and Italy.

The U.S. is to be represented next week by Deputy Treasury Secretary Lawrence Summers, and Federal Reserve Board member Laurence Meyer as well as the senior civil servants in international economics, the Treasury's Timothy Geithner and the Fed's Edwin Truman.

No communique is anticipated from next week's meetings. U.S. officials said they don't anticipate the Treasury secretary and the Federal Reserve chairman to meet with their counterparts anytime soon.



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