Case Number: 2010-1024-F

FOIA MARKER

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Folder Title: China WTO 1998
Staff Office-Individual: National Economic Council-Brainard, Lael
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Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	For Stuart Eizenstat from Alan Larson. Subject: Status of China WTO Accession Negotiations (5 pages)	03/25/1998	P1/b(1)
002a. report	China. (2 pages)	02/1998	P1/b(1)
002b. report	China's Market Access Proposal (1 page)	12/1997	P1/b(1)
003a. draft	Letter to Jiang Zemin. Draft A. (1 page)	04/15/1998	P1/b(1)
003b. draft	Letter to Jiang Zemin. Draft B. (1 page)	04/15/1998	P1/b(1)
004. note	China's Market Access Proposal. (1 page)	c. 04/1998	P1/b(1)
005. email	To Malcolm Lee from Jeffery Bader. Subject: Steinberg Meeting with USTR Fisher. (1 page)	04/15/1998	P1/b(1)
006. note	From Samuel Berger to Sandra Kristoff. Subject: The Meeting with Barshefsky. (3 pages)	01/29/1998	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China WTO 1998

2010-1024-F
vz1797

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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002b. report	China's Market Access Proposal (1 page)	12/1997	P1/b(1)

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003b. draft	Letter to Jiang Zemin. Draft B. (1 page)	04/15/1998	P1/b(1)

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004. note	China's Market Access Proposal. (1 page)	c. 04/1998	P1/b(1)

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RECORD ID: 9707567
RECEIVED: 05 NOV 97 15

TO: BLILEY, THOMAS J

FROM: PRESIDENT

DOC DATE: 02 MAR 98
SOURCE REF:

KEYWORDS: CHINA TRADE WTO
CO

PERSONS:

SUBJECT: REPLY RE NEGOTIATIONS TO CHINA ACCESSION TO WTO

ACTION: FOR DISPATCH DUE DATE: 17 NOV 97 STATUS: C

STAFF OFFICER: BRAINARD, L LOGREF:

FILES: WH NSCP: CODES:

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THE WHITE HOUSE

WASHINGTON

March 2, 1998

Dear Mr. Chairman:

Thank you for your letter regarding the ongoing negotiation on China's accession to the WTO. I agree we must work together closely to ensure the goals of the United States are fully achieved in this critical negotiation. China's accession to the WTO would represent an important step in opening its economy to American goods and services and deepening its engagement in the international community, but only if China meets the widely accepted standards applied to all countries.

I discussed China's negotiations to become a member of the WTO during my meetings with President Jiang Zemin. He stated that China intends to join the Information Technology Agreement as soon as possible. Under this agreement, China will eliminate tariffs on a wide range of products which the United States exports globally, such as computers, semiconductors and electronics. President Jiang also announced that China will lower other tariffs from its current high rates. Both of these steps will increase market access for U.S. goods and represent progress in the WTO accession negotiations.

Still, China must do more to open its market. As you note, we must address such critical areas as trading rights, telecommunications services, discriminatory industrial policies, agricultural market access and investment barriers. Key members of my Administration, including U.S. Trade Representative Charlene Barshefsky, Treasury Secretary Robert Rubin and Commerce Secretary William Daley, are raising such market access issues at the highest levels of

China's government. We will continue to work to achieve an equitable and open trade relationship with China using every means available.

Thank you for your thoughts on this important matter.

Sincerely,

Bill Clinton

The Honorable Thomas J. Bliley, Jr.
Chairman
Committee on Commerce
House of Representatives
Washington, D.C. 20515

7567

THE WHITE HOUSE

WASHINGTON

February 24, 1998

'98 FEB 24 PM 1:55

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL R. BERGER
GENE SPERLING
DANIEL K. TARULLO
JOHN HILLEY

SUBJECT: Congressional Correspondence Regarding China's Accession to the WTO

signed 3-2-98

Purpose

To respond to Representative Thomas Bliley.

Background

Representative Bliley urges that key issues such as telecommunications access, discriminatory industrial policies, trading rights and investment barriers be addressed as part of China's WTO accession negotiations.

The proposed response affirms that you pressed for meaningful market access measures during your summit with President Jiang, and that senior administration officials will continue to pursue this issue at the highest levels of the Chinese government.

RECOMMENDATION

That you sign the letter at Tab A.

Attachments
Tab A Response to Representative Bliley
Tab B Incoming Correspondence

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

January 28, 1998

ACTION

done 2/14

Neds

MEMORANDUM FOR SAMUEL R. BERGER
GENE SPERLING
DANIEL K. TARULLO
JOHN HILLEY

FROM: LAEL BRAINARD LB

SUBJECT: POTUS Response to Congressional Correspondence Regarding China's Accession to the WTO

Please find attached a memorandum to the President recommending that he sign a response to correspondence from the Honorable Thomas Bliley expressing concern about the ongoing negotiations on China's accession to the World Trade Organization.

Provided to: SANDY KRISTOFF SK
MARA RUDMAN MR

RECOMMENDATION

That you forward the memorandum attached at Tab I to the President.

Attachments

Tab I	Memorandum to the President
Tab A	Response to Congressional Correspondence
Tab B	Incoming Correspondence

156

U.S. House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515–6115

October 30, 1997

NOV 3 PM 6:24

The Honorable William J. Clinton
President
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing to express the great interest and concern I take in the ongoing negotiations regarding accession by the People's Republic of China to the World Trade Organization (WTO). These negotiations will have a significant impact on U.S. jobs and manufacturing for the next century. Particularly in light of Congress' constitutional power to regulate commerce with other nations, it is imperative that the Administration work closely with Congress to ensure that the goals of the United States are fully achieved in this critical negotiation.

Membership by the People's Republic of China in the WTO must be on terms and conditions that will ensure fair and open trade between China and other nations. China should receive the benefits of WTO membership commensurate with its undertaking of the responsibilities of such membership.

Free and open trade with China cannot be unilateral. In order for China's accession to the WTO to be commercially beneficial to the U.S., it is essential that China's complex system of trade and investment barriers be dismantled. In this regard, China must address its discriminatory rules applicable to foreign-owned entities and its targeted industrial policies in key sectors such as automobiles, machinery, electronics, semiconductors and petroleum/petrochemicals. China should be required to adhere to the principle of national treatment by ending discrimination against American products and services.

Furthermore, foreign companies should be permitted to do business in China, including exporting, importing and distribution, without having to apply for government licenses as is required by China's laws on trading rights. Moreover, the Chinese should not be allowed to use food safety regulations as a way to unfairly deny access to U.S. agricultural products. In order to accede to the WTO, China should commit to broad-based market access for goods such as information technology, chemical and agricultural products, and a broad array of services, including but not limited to those in the telecommunications and finance sectors.

Earlier this year, WTO Members representing the vast majority of opportunities in the $750 billion global telecommunications market agreed to market access and non-discrimination commitments and regulatory principles for the telecommunications services sector. We worked jointly to achieve these historic market-opening commitments -- the first successful negotiation of the new WTO. Such non-discriminatory market access and pro-competitive regulatory principles should be a new standard for accession to the WTO.

America is a world leader in telecommunications services and equipment. Given the increasing trade deficit with China, it is critical for American workers and businesses that China commits prior to its accession to the WTO to non-discriminatory market access for foreign-owned providers of telecommunications services and to pro-competitive principles for the regulation of such services.

I am highly skeptical about proposals to apply special or differential treatment to China as a developing country. Despite the developing nature of certain aspects of its economy, China's $40 billion trade surplus with the United States makes traditional rules for developing countries ill-suited to China's unique situation. At the same time, it is also important that the United States retain the right to treat China as a "non-market economy" for the purpose of its anti-dumping law. To do otherwise at this point could seriously erode one of our most basic trade remedies, to the detriment of U.S. workers and manufacturers who are harmed by unfair trade from China.

The House Committee on Commerce has jurisdiction over interstate and foreign commerce. The involvement of the Commerce Committee at this stage of the negotiations on China's accession will, believe, help ensure successful resolution of problems that may arise and will further acceptance of the outcome of the negotiations in Congress and the country at large. Particularly in the event that changes in the established U.S. law and policy regarding trade with China are considered as part of the accession negotiations, the Commerce Committee should play a central role in the negotiations and should be involved in the process of deciding whether such changes should be made by statute.

Thank you for your efforts on this important issue. I look forward to working with the Administration to achieve a result that will benefit U.S. workers and strengthen our economy.

Sincerely,

Tom Bliley
Chairman

cc: The Honorable William M. Daley
Secretary of Commerce

The Honorable Charlene Barshefsky
United States Trade Representative

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CEA
STATISTICAL OFFICE
DEC 5 1997
Inside U.S. Trade
An Inside Washington Publication
An exclusive weekly report on major government and industry trade action
Vol. 15, No. 49 - December 5, 1997

KRISTOFF SAYS U.S. TO MAKE DECISIONS ON CHINA WTO, MFN BY MARCH

Special Assistant to the President for Asian Affairs Sandra Kristoff yesterday (Dec. 4) said the Clinton Administration plans to decide by next March how quickly the U.S. and China can conclude the negotiations on China's accession to the World Trade Organization. At that point, the U.S. will also decide whether and how quickly it can extend permanent most-favored nation status to China, Kristoff said.

The hope is to have U.S. and Chinese trade ministers report back "no later than March so we can assess whether we can move forward on closure of the [WTO] package," she told a meeting of Women in International Trade. "By March we hope to be in a position to make an evaluation on whether we can close out [MFN] in a short period of time and finally get over the annual" MFN debate, she said.

Kristoff said after her speech that these two issues will converge around next March because China has

continued on page 23

RUGGIERO SAYS LACK OF OFFERS THREATENS WTO FINANCIAL SERVICES PACT

World Trade Organization Director General Renato Ruggiero this week warned that the failure of a number of countries to come forward with offers to open their financial services markets is threatening the chances for a successful conclusion of ongoing negotiations on Dec. 12. The comments came as a number of key Asian and Latin American countries, whose participation is considered crucial for a successful conclusion of the negotiations, this week again failed to table the formal offers which they promised last month.

"[T]iming is now becoming almost an issue of substance in its own right," Ruggiero said in a Dec. 3 meeting of the WTO Committee on Financial Services. "We are now only nine days away from the agreed deadline for this negotiation, and although new or revised offers are being received nearly every day, [WTO members still do not have] a complete picture of the commitments that will form the final package."

continued on page 24

BARSHEFSKY FLOATS POSSIBILITY OF FAST TRACK FOR SECTORAL DEALS ONLY

U.S. Trade Representative Charlene Barshefsky this week informally suggested to business representatives the possibility of passing a bill to renew fast-track negotiating authority for sectoral initiatives only, according to informed sources. The rationale behind such an approach would be to avoid a fight over controversial free-trade agreements with developing countries in Latin America and Asia, according to informed sources.

But in the Dec. 2 meeting, business representatives strongly criticized Barshefsky's informal suggestion on the grounds that it would not draw strong support from business while doing little to soften opposition from organized labor, these sources said. Business representatives also argued that it makes little sense substantively to pursue a sectoral fast-track because it does not allow for a broad package concessions that allows tradeoffs.

"There is no enthusiasm for [a sectoral approach] on the part of the business community," one source said.

continued on page 26

U.S. WARY OF NEW EUROPEAN COMMISSION PROPOSAL TO END BSE FIGHT

The U.S. this week was waiting for the EU to release a text outlining a proposed solution to a controversial EU ban on animal products containing specified risk materials (SRMs), which the EU fears could be contaminated with Bovine Spongiform Encephalopathy (BSE). While the European Commission announced Dec. 3 that it will propose giving all pharmaceutical products a one-year exemption from the ban, U.S. officials said they cannot judge the proposal until its details are made clear.

"It's like saying there's a car in my garage, do you think it's worth $20,000?" one U.S. official said this week.

The U.S. pharmaceutical sector would be most affected by the EU ban, since many drugs use tallow or gelatin which is produced in the U.S. with SRMs. U.S. officials have said several billions of dollars of U.S. pharmaceuticals would be banned from the EU if the so-called SRM Decision were to take effect.

continued on next page

U.S., EU POSTPONE MEETING UNDER BILATERAL AIRCRAFT AGREEMENT

A Dec. 4 meeting between the U.S. and European Union to discuss each other's compliance with a bilateral aircraft agreement has been postponed, and will most likely take place some time in January, according to a U.S. official. A tentative date had not been set at press time, informed sources said.

The meeting had the potential to be a contentious one, as the U.S. was expected to press the Commission to explain published reports that EU member state governments planned to provide funds for a new Airbus aircraft that would directly compete with certain models from the Boeing Company (*Inside U.S. Trade*, Nov. 21, p. 1).

Sources gave different reasons for the postponement. An EU official said the U.S. specifically requested a delay because it was not ready to reply to demands the EU made in July for more disclosure of indirect federal subsidies that benefit U.S. aircraft manufacturers (*Inside U.S. Trade*, July 18, p. 3).

But other sources said the two sides agreed to delay the meeting because there is "lots of stuff" on the bilateral trade agenda now, and that they could better focus on the bilateral agreement after December.

Regardless, the U.S. may be using the additional time to prepare for pressing the EU on its obligations under the bilateral deal to limit the amount of direct production subsidies, a U.S. industry source said. The U.S. could start by requesting data on direct subsidies and financing schemes similar to the way in which the EU has requested more information on indirect subsidies from the U.S., he said.

"The U.S. decided to quit being on the defensive," this source said.

KRISTOFF PREDICTS KEY CHINA DECISIONS IN MARCH . . . begins page one

expressed an interest in joining the WTO in time for the May 1998 WTO ministerial. In addition, the annual MFN debate will be heating up in Congress by the spring, she said.

Despite these "action forcing" events, Kristoff said, the Administration has not yet made a judgment on how to move forward on these issues. She said these decisions will be "very tough."

In addition, the Administration's plans on WTO accession and MFN for China could be thrown into doubt by congressional reaction to the growing U.S. trade deficit with China. She said that Congress could exacerbate bilateral tensions by focusing exclusively on the large deficit. "The numbers, I think, raise the specter that we're going to have this forced down our throats next year by the Congress," she said.

"We're going to see a growing deficit," she said, adding that it will is expected to be over $40 billion. "I fear that we'll return to the debate we had in '85 and '86," she said in an apparent reference to the period when a staggering U.S. trade deficit with Japan fueled bilateral tensions between the U.S. and Japan.

She said that the Administration will have to begin a process to educate members of Congress on why basing China policies solely on the bilateral trade balance is a "bad idea."

Kristoff called China's latest WTO accession offer "a substantial improvement over previous offers," and said that in some areas it gets "very close" to U.S. negotiating objectives, if it does not meet them. However, Kristoff said after her speech that the new Chinese offer is only a "jumpstart" to the negotiations, a message conveyed by a U.S. trade official last week (*Inside U.S. Trade*, Nov. 28, p. 1).

For goods, China last week offered to phase out all negotiated tariff cuts by 2005 at the latest, with most of them phased out by 2000, sources said. Similarly, China offered to eliminate non-tariff measures for most tariff lines by the year 2000 (see related story).

But Kristoff stressed that the U.S. is still not interested in allowing China to join the WTO without making significant concessions on goods and services. Kristoff brushed aside a suggestion that the U.S. might be able to show some flexibility on China's offer in return for concessions in other important areas unrelated to trade.

"The U.S. has an interest in having [China] in the WTO, but we will not back off and have them come in under terms that would make a mockery" of WTO rules, she said. "It would be worse off to have them in that way."

But she said China "should have been in ten years ago," since the earlier China entry would have allowed its trade regime to be tempered by WTO disciplines.

Kristoff added that she does not think congressional approval of a decision to allow U.S. companies to export nuclear technology to China will be a "flash point" next year. She said the decision, which was made in the wake of a number of Chinese non-proliferation commitments during last October's bilateral summit, should be able to be approved by Congress given its strong support from industry.

But skeptical House members last month indicated that they may want to extend the length of their examination of the decision (*Inside U.S. Trade*, Nov. 7, p. 3).

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Kristoff added that next year's most-favored nation debate will likely act as a "lightning rod" for legislation that seeks to sanction China for reasons relating to religious freedom and proliferation. She also credited Chinese President Jiang Zemin's visit to the U.S. earlier this year as an event that "rekindled the domestic support" for further engagement with China, and said the visit showed that the Administration's policy of engagement is the "correct policy."

RUGGIERO WARNS OF FAILURE IN WTO FINANCIAL TALKS . . . begins page one

WTO members will need additional time to clear offers with capital-based officials before any final agreement can be reached, and bilateral meetings will be necessary to clarify many points, Ruggiero noted in the statement reprinted below. "We are all accustomed to working under pressure at the end of negotiations, but there is a danger in making such assessments and decisions under extreme time pressure," he added.

Ruggiero emphasized that he respects countries' "dedication to the negotiating process at a time when turbulence in financial markets is putting administrations everywhere under great pressure." But the lack of offers from some countries is nevertheless an issue "of real concern," he said.

Finance ministers of the Assn. of Southeast Asian Nations (ASEAN) this week committed publicly to making before the end of the negotiations. Following a Dec. 1 meeting in Kuala Lumpur, Malaysia, the ministers said that steps to open financial markets would help overcome recent turmoil in Asia.

"The ministers reaffirmed that ASEAN remains committed to the process of liberalization and would table its offers before the deadline for the conclusion of the [WTO] negotiations," they said in a Dec. 1 communique. "This liberalization is expected to enhance the soundness of the financial system."

The meeting included Thailand, Brunei, Indonesia, Laos, Malaysia, Burma, the Philippines, Singapore and Vietnam.

The U.S. said at the Dec. 3 meeting in Geneva that it is ready to begin bilateral consultations on the offers as soon as they are tabled, but emphasized the importance of first getting written proposals. A senior Treasury Dept. official said on Dec. 4 that a successful agreement is still possible but reserved judgment on the prospects for one.

"We are working closely with the Europeans and emerging market countries to improve the prospects for a successful agreement," the official said. "But at this stage, it is hard to say with confidence whether we can do that."

The official said that, in addition to seeing opening offers from a number of countries, proposals now on the table must be improved.

The European Union, Japan and Australia made largely the same points the U.S. made. "The theme of the statements [at the Dec. 3 meeting] was that offers are essential," one trade official said. WTO members have scheduled a Committee on Financial Services meeting of high-level officials on Dec. 8, a date one official described as a "drop-dead" time for new offers.

At press time, Chile, Poland, Senegal, Cyprus, Bulgaria and Jamaica had tabled offers and a revised offer had been submitted by Switzerland. Mexico also formally tabled its plan, but the details were unclear since the offer has not been translated from the original Spanish, one trade official said.

Brazil said at the Dec. 3 meeting that its offer was "imminent." But Malaysia, Indonesia, Thailand, India and Pakistan did not signal at the meeting when their long-promised offers would be formally submitted. And neither Japan nor Korea indicated plans to improve their existing offers, which have been criticized by a number of countries as insufficient.

Many of the countries which have not tabled offers have outlined their plans for offers, and Indonesia, Thailand and Malaysia have shown draft offers to selected countries (*Inside U.S. Trade*, Nov. 14, p. 1).

Several of these countries have committed to financial services liberalization as part of rescue packages provided by the International Monetary Fund. But it remains to be seen whether they would agree to bind those measures in the WTO, one informed source noted.

As part of its IMF package, Korea offered "substantial up-front liberalization," an informed source said. It will allow foreign banks to set up subsidiaries in Korea, and foreign firms will also be allowed to acquire domestic financial institutions and purchase corporate bonds.

Thailand will allow foreign firms to own 100 percent of financial institutions. If these institutions have to raise additional equity after 10 years, they would be required to favor domestic investors, though there are "ways around" this rule, one source said. Indonesia has also substantially raised the stakes foreign firms can take in domestic institutions.

Private-sector sources this week said that the U.S. industry has begun wrestling with what options are available in the event that not enough countries table their offers or if industry views those offers as insufficient. But these sources also emphasized that the industry very much wants to strike a deal to liberalize markets, and said that the offers as outlined by the countries who have not tabled proposals would likely form the basis of an appealing package.

"No one wants to walk away from a deal," one source said. "If the offers look like they've been discussed, they would be very attractive."

One source pointed out that many of the holdouts have outlined planned offers granting 51 percent ownership

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U.S. OFFICIAL SAYS NEW CHINA WTO OFFERS ARE BASIS FOR INTENSIVE TALKS

China this week made important new market access offers to the U.S. in its bid to join the World Trade Organization, offers that the U.S. considers "a clear basis for intensified negotiations" beginning next week, according to a U.S. trade official. The proposals set the "broad parameters" for a market access package for goods, including a willingness to eliminate quotas for industrial goods by a date certain, and provide an annual growth rate of at least 15 percent for these quotas until they are phased out, the official said.

"What these proposals represent is a basis for intensive negotiation," the official said. "This is a very constructive and helpful development -- certainly, this represents a significant move forward."

The U.S. and China will begin negotiations in Geneva next week, with services being one of the key areas, the official said. China has tabled a services offer in Geneva which falls short of U.S. demands (*Inside U.S. Trade,*

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BARSHEFSKY CALLS FOR WTO FINANCIAL SERVICES OFFERS BY DECEMBER

U.S. Trade Representative Charlene Barshefsky this week said the Clinton Administration has urged that a number of countries table new or improved offers in the World Trade Organization financial services negotiations before the end of the month. The U.S. will not be able to assess the status of the talks until they do so, she said in a Nov. 24 Vancouver press briefing.

"At that point, we'll be in a better position to assess whether an agreement can be successfully concluded, or whether we still fall far short," she said.

The financial services talks are scheduled to conclude on Dec. 12, but Barshefsky has left open the possibility that the U.S. could agree to postpone the deadline if the results were not satisfactory. "We will have to look at the situation as we approach the deadline," she said on Nov. 18. "I do not want to rule out any particular option but the

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CONGRESS, EU PARLIAMENT TO TAKE STAB AT RESOLVING HELMS-BURTON

Members of Congress and the European Parliament plan to hold a series of meetings next year aimed at trying to resolve a dispute between the U.S. and EU over the Helms-Burton Act, according to informed sources. While delegations from the two sides have not been formalized, they are tentatively scheduled to meet in London this January, and could meet again in February, according to sources in Congress and the Parliament.

Sources said the initial impetus came from British Labor Parliamentarian Alan Donnelly, chairman of the European Parliament delegation on U.S. relations, who floated the idea during a visit to the U.S. in September. The idea was raised to "defuse tension" and as a way to "find common ground on the Cuba issue," according to a source in the Parliament.

Bryan Cassidy, vice chairman of the Parliament's delegation on U.S. relations, this week said that some

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U.S., EU SCRAMBLE FOR FUR TRAPPING DEAL BEFORE DEC. 1 EU BAN

U.S. and European Union negotiators this week were scrambling to reach a bilateral fur trapping agreement, just days before an EU ban on fur caught with certain traps is scheduled to take effect. The EU measure would block an estimated $6 million worth of U.S. fur exports unless the two sides can reach a deal before it takes effect on Dec. 1.

As a result of the approaching deadline, U.S. and EU negotiators met Nov. 25 in Washington, where the U.S. offered to improve its negotiating position. At press time Nov. 26, the U.S. was in the process of sending a written proposal to EU negotiators for their assessment, according to a U.S. official.

While declining to reveal any details of the U.S. proposal, a U.S. official said at press time that the two sides were "close" to an agreement. Assistant U.S. Trade Representative for Agriculture Jim Murphy and Ramiro

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Open Skies agreement, a successful resolution could strengthen this bilateral trade relationship in a manner consistent with the principles of free trade and expansion of worldwide markets.

Thank you very much for your personal attention to the U.S.-Japan aviation issue which is critically important to the U.S. economy, our home state of Michigan, and consumers. To the extent you discuss these important issues with Prime Minister Hashimoto next week, we urge you to keep our views in mind.

Sincerely,

Rep. John D. Dingell (D-MI)
Rep. Fred Upton (R-MI)
Rep. Sander M. Levin (D-MI)
Rep. Joe Knollenberg (R-MI)
Rep. Bart Stupak (D-MI)
Rep. Dave Camp (R-MI)
Rep. Carolyn C. Kilpatrick (D-MI)
Rep. Vernon J. Ehlers (R-MI)
Sen. Spencer Abraham (R-MI)
Sen. Carl Levin (D-MI)
Rep. James A. Barcia (D-MI)
Rep. Nick Smith (R-MI)
Rep. Dale E. Kildee (D-MI)
Rep. John Conyers, Jr. (D-MI)
Rep. Debbie Stabenow (D-MI)
Rep. Lynn N. Rivers (D-MI)
Rep. David E. Bonior (D-MI)

CHINA WTO OFFER BASIS FOR FURTHER TALKS . . . begins page one

Nov. 7, p. 1 & Nov. 21, p. 4).

But the U.S. sees the tabling of the offer as evidence that China is prepared to engage in services negotiations, according to the official.

The U.S. negotiating team will be divided into different groups next week, allowing different negotiations to go forward simultaneously, he said. The two sides have to get into a "line by line, measure by measure negotiation," which is very time consuming and demands a lot of resources, he said.

The week of bilateral negotiations will end in a formal session of the WTO working party on Dec. 5, he said. "At that time, we will be able to say [whether this translates] into concrete results." The working party session has been called to give China an opportunity to introduce its revised services offer, and to take stock of developments in the working party and of bilateral market access negotiations, according to the WTO notification.

As part of its new goods offer, China also agreed to phase out all negotiated tariff cuts by 2005 at the latest, the official said, adding that negotiations on specific time periods will be tied to the specific tariff cuts, he said. "The higher the tariffs, and the larger the tariff cuts, arguably the longer they need to phase it out," he said. The U.S. will have to look at what individual tariff cuts are before deciding what is an acceptable phaseout period, he said.

China also has agreed to a formula approach to cutting tariffs, and promised that peak tariffs would be limited to "very few exceptions," he said. He would not specify whether China had agreed to accept the Uruguay Round definition that peak tariffs should be capped at 15 percent.

The official said that this promise as well as the promise to phase out quotas by a date certain reflect the principles endorsed by China and the European Union last month (*Inside U.S. Trade*, Oct. 17, p. 3 & Oct. 24, p.1).

In addition, China has indicated it is willing to sign onto to several zero tariff initiatives negotiated in the Uruguay Round, but not to the one on chemical harmonization as the U.S. has demanded, according to the official.

For agricultural products, China has agreed that tariff rate quotas would be consistent with WTO rules, he said. This means that their initial size will either represent three to five percent of domestic Chinese consumption or the trade levels in a representative period, whichever is higher, he said. Up to now, the U.S. and China disagreed on what years were representative, with China arguing for a base period that reflects a lower import penetration than the years the U.S. is proposing.

China has also agreed that there would be an increase in these agricultural TRQs based on "projections of reasonable growth in China's market," he said. The growth rates will be negotiated on a product by product basis, he said.

National Security Advisor Sandy Berger referred to the new Chinese offers in a Nov. 24 press briefing. He said that President Clinton and President Jiang Zemin agreed that their respective trade ministers would resume WTO negotiations on the basis of the "important new proposals" tabled by China at the Asia Pacific Economic Cooperation forum.

Regarding non-tariff measures, particularly quotas, China is looking at an earlier phaseout than previously proposed, the official said. The two sides have to work out the specific dates for specific products, he said. "But we are talking dates, and not years after accession," the official said. "That's significant, it shows that we are all looking at a much more intensified process."

In a second departure from earlier proposals, China has differentiated between measures affecting agricultural and industrial products. For industrial products, China has proposed growth rates of at least 15 percent, he said.