Case Number: 2010-1024-F

FOIA MARKER

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Folder Title:				
China (April 1999, Zhu Bilateral) [11]				
Staff Office-Individual:				
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Original OA/ID Number:				
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23	5	5	3	V

Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. draft	Economic Reform. (1 page)	04/05/1999	P1/b(1)
002. email	Marnix Koumans to Stephen Schlaikjer, Henry Levine, and Sung Kim. Subject: CivAir Update. (1 page)	04/05/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1176

FOLDER TITLE:

China (April 1999, Zhu Bilateral) [11]

2010-1024-F
vz1831

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

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

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AMBASSADOR CHARLENE BARSHEFSKY
PRESS BRIEFING
UNITED STATES INFORMATION SERVICE
BEIJING, CHINA
MARCH 4, 1999

Amb. Barshefsky: Well, as always, it's good to be back in Beijing. I have just concluded two days of constructive talks, including extensive meetings with Zhu Rongji and other senior officials. We had very good meetings, and we made some important progress. However, gaps still remain, and a number of issues have yet to be addressed. Negotiations continue. This is a highly complex process on which we have been working for six years -- intensively for the last two and a half.

This year presents a pivotal opportunity for China. The U.S. visit of Premier Zhu Rongji in April and the launch of the new global round of trade negotiations in Seattle in December as called for by President Clinton are moments that should encourage China to make the difficult decisions necessary to qualify for WTO membership.

Let me be very clear: The United States supports China's membership in the WTO. But as we have said time and again -- accession must be on commercially meaningful terms consistent with China's position as a global trading power and the standards of accession other WTO economies meet. China's WTO accession can – and will – only occur on commercially meaningful terms. There is no possibility of a political settlement. None.

What we mean by a commercially meaningful agreement is this: enforceable market-access commitments in goods, services, and agriculture; transparent, non-discriminatory regulatory systems; and effective national treatment at the border and within the domestic economy. A viable commercial package must also address the spectrum of our bilateral trade concerns, including resolution of sanitary and phytosanitary problems in agriculture, particularly in citrus, wheat, and meat products; a common understanding on how our bilateral textile agreement fits into the WTO market access package; and agreement on all WTO rules.

The economic reforms that China will have to undertake to open its market and operate according to the rules of the world trading system will serve its own interests. The reforms will improve productivity, increase efficiency, create jobs, and raise living standards among the people of China.

We appreciate the challenges China faces in undertaking these reforms. But we also believe that WTO accession and the reforms required would meet China's interest in stimulating further sustainable domestic economic growth.

Finally, over the past two decades, trade has been a positive, stabilizing force in the U.S.-China relationship. It has produced mutual benefit, and an expansion of that relationship is in our mutual interest. As I stated at the outset, we had a series of good meetings this week, and we are prepared to work intensively with China toward a commercially meaningful WTO accession package. The Premier's visit provides the opportunity for China to take the difficult political decisions that are required. China has long said that it wants to be part of the next global round of trade negotiations. As President Clinton has said, he would very much want China to be a part of the next round of global trade negotiations. We will work in earnest toward that goal, but the decision is China's.

With that, I'm please to take questions.

Q. Ian Johnson - Wall Street Journal. Over the past year or so, there have been steps taken by China that seem to go against WTO rules -- setting up cartels, limiting imports of certain products. In this environment, how does one ... how do you be optimistic in this sort of environment, and also do you think that these are steps that China has taken in order to be able to make concessions? In other words, get rid of these things but only get China back to where it was, say, a year ago?

Amb. Barshefsky: Certainly no country can better its negotiating posture by taking new restrictive measures and then negotiating off that base. That is a non-starter, though many countries try. That is my first point. Second, we are concerned to the extent that China has moved backward in some areas, whether with respect to "buy China" policies or with respect to telecom or other such areas. WTO accession and one reason why it is so important is that it provides a rules-based foundation from which it is very difficult to depart without facing consequences of a multilateral nature. And this is why accession, particularly in the case of a country that has a tendency from time to time to move backward, to slide backward, is actually so important. But, as to the fundamental point, we will not negotiate off of a base of newly inaugurated barriers. We simply go past those, take a look at the regime if it has existed, and negotiate changes from that base.

Q. James King - Financial Times: Could you comment on some speculation that in fact you may be heading towards what some people are calling a mini-package which wouldn't require China to meet all of these stipulations of WTO and in return would give China a kind of special privileged observer status, but it wouldn't be the whole thing. Is that the case? Are you going for the whole thing or nothing? And secondly, can you just tell us what the sticking points are? Is it agriculture where the difficulties lie or telecom or where? Thanks.

Amb. Barshefsky: In answer to your first question, there is no mini-package. There is no quick fix, there is no special deal, there is no sweetheart deal. There are terms for accession into the WTO. They are clear, they are well known, they have been the subject of negotiation. As I said, for six years in this administration -- for two and one half years intensively -- that is the only basis, the only basis on which China can enter the WTO. There is no such thing as special observer status, and no such status will be created. With respect to the sticking points, we are in the course of negotiations, so obviously I don't want to go into too much detail, but as we look at the principal areas of negotiations --

that is, industrial goods, services, agricultural products -- there are issues in all three, varying in complexity, from the not too difficult to the increasingly difficult, and to the increasingly complex and difficult. Without going into detail, I would say that on this trip, we have made important progress in the overall negotiation and we have made, I think, some good progress in each of the areas, but there are significant gaps that remain and there are also a number of issues that have yet to be addressed in the kind of detail required for accession. For that reason, I will leave behind here a team of people -- a small team of people -- led by our lead negotiator, Robert Cassidy, who heads our China shop at USTR and who has been spearheading these talks. And we will then see what further progress we are able to make. I do think that the Chinese Government has exhibited a very serious attitude and has exhibited a strength of purpose that we believe has helped to make this week a productive one.

Q. Peter Hannam – Bloomberg: In light of the fact that you are leaving behind a team, how would you rate the chances of some sort of an agreement being ready by the time Premier Zhu Rongji visits Washington, or by the December negotiations? And secondly, how do you answer Chinese concerns that, should an agreement be reached between the Chinese Government and the Clinton Administration, that the Congress may hold back agreement or stall agreement or not approve it?

Amb. Barshefsky: With respect to your second question, obviously the issue of permanent MFN is a Congressional [one], and Congress will make its determination in large part on the basis of the WTO accession package that is presented. This is one of the reasons that there can't possibly be a political deal or a special deal or a sweetheart deal. This package will be heavily scrutinized. It must be in all respects real, tangible. It must provide for market access in all of the areas that I have already noted. There is simple no other alternative conceivable. With respect to how I rate the chances, I actually don't engage in rating chances. This negotiation has never been driven by the clock -- not during the first Presidential Summit, when the President of China came to the United States, not during the second Presidential Summit when the President of the United States came to China. It will not be driven by the clock when the Premier comes to the United States. We do believe, however, that the confluence of his visit and the call by the President of the United States for a new global round of negotiations to be launched at the Seattle ministerial does provide a potential impetus to China to take the hard political decisions to make the necessary adjustments and reforms in order to join the WTO.

Q. Rebecca MacKinnon - CNN: Ambassador Barshefsky, China's Foreign Ministry spokesman today said that the U.S. would need to be flexible in order for an agreement to be reached, and I'm wondering if you have a response to that. And also, do you have any response to reports that the European Union is concerned that they are not being consulted enough on this deal?

Amb. Barshefsky: Again, taking your second question first. We have worked very closely with the European Union at every step of the way, at every step of the way. Sir Leon Brittan and I talk with great frequency about China's WTO accession, we have worked together closely, there is quite a substantial degree of trust between the U.S. and the European Union on this issue. China is aware of this. This is no secret, and one of the things that I will do when I return to the U.S. is indeed to consult with Europe. With respect to whether the United States will be flexible, the United States in every accession maintains a posture of flexibility, of pragmatism. But that should not lead one to believe that we don't have specific goals or specific commercial issues that must be addressed. No negotiation is purely one way, not for any agreement, not for WTO accession. We will remain flexible but we are also quite focused on what has to be accomplished in this accession. We are quite focused on the rules of the road to which China must accede in order to join the other 130-plus members of the WTO, and no amount of flexibility or pragmatism will alter those basis touchstones.

Q. Ted Plafker – Boston Globe: I saw you quoted yesterday saying something to the effect that you were here not so much to talk but to listen. I heard Secretary Albright the day before say you were coming with a new proposal. You said now that the talks are very productive, the Chinese have called for flexibility. You have made clear that the basics are non-negotiable, but on such a complex question there must be – what I'm getting at – can you give us some idea of the scope of the areas and where the U.S. might be flexible, where there might be some give on your side? What sort of things are you prepared to talk about, prepared to give in on?

Amb. Barshefsky: I have never in six years negotiated in the press, so certainly this would not be a very opportune time to begin. I would say that I did not come with a new proposal. I did come to listen. Our delegation and the Chinese delegation over the course of six years have exchanged countless proposals, as you would expect in any negotiation of this magnitude and complexity. As I said, what seems clear to me is a seriousness on the part of the Chinese Government with respect to accession that is, I think, certainly critical, a critical foundation to the reaching of any possible agreement. The Ambassador and I had a very extensive meeting with the Premier today, lasting somewhere between 2 and 2 ½ hours, which you know for the Premier is a very long meeting. And I was most impressed, most impressed with his seriousness, with how well versed he was in so many aspects of the talks. I was very impressed with his candor, but also his resolve to see if it is possible to move forward. That does not remove the gaps, that does not address the issues that have not been addressed. But there is a genuine seriousness and, I think, a quite full understanding of the range of issues that need to be covered and this of course is critical as a foundation to any possible agreement.

Q. John Pomfret – Washington Post: You were talking about this seriousness of purpose. Last year when you came you were bemoaning the fact that there was no seriousness of purpose. What's concentrated their minds? Has Taiwan played a role in this at all, because Taiwan's bilaterals are almost finished and I'm curious whether that has played a role at all?

Amb. Barshefsky: Your question is probably best addressed to the Chinese. I believe, now I'm only giving you my perception, I believe that the Chinese leadership feels that

WTO accession is in the interest of China, that China must join the community of nations, that it should not remain outside the system. I can only speculate. Perhaps it has to do with a concern over the slowdown of inward investment. As one example, that is to say, that the leadership may well come to recognize, or have come to recognize, that a predictable and open commercial environment is China's best guarantee of sustainable growth. I believe also that there is an appreciation in the Chinese leadership, at least this is my perception, that so many aspects of WTO accession would serve to reinforce China's own internal reform efforts, and indeed are very consistent with China's efforts at internal reform -- putting state enterprises on a sounder commercial footing, for example; separating the regulated entity from the regulator; putting an end to smuggling, which suggests that something has to change in the tariff regime, or smuggling remains too profitable. So I believe that there is some appreciation that WTO accession is consistent with and can support internal reform in many, many areas. Obviously, I do believe your question is best directed to the Chinese, but plainly there has been a series of realizations that have come upon China over the last year that were not there. You are quite right. They were not there a year ago.

Q. Elizabeth Rosenthal - New York Times: This is sort of falling a bit on John's question but even two, three months ago we were hearing from both sides that WTO was really not in the cards, it was the wrong time for China, it was the wrong time in the U.S. Is there, was there something specific that happened, I mean did someone from China call and say okay you know, come back, we want to talk more? I mean it just seems like such a shift in all the signals from what we were hearing even two, three months ago.

Amb. Barshefsky: From the U.S. point of view, it is always the right time for China's WTO accession. That is to say, if China comes forward with a commercially, meaningful accession package, the U.S. will not hesitate to say yes. On the Chinese side, about two months ago, perhaps three months ago, the Chinese indicated that they wished to re-engage in earnest. I can't speculate as to the reasons for that request, and of course we meet with the Chinese basically once a month rain or shine and have been doing so now for years. But this was a very specific request, that is that China remains highly interested in WTO accession, that any perception we or others may have had that they had lost interest was absolutely wrong and that China wished to re-engage. The Chinese Trade Minister came to the United States, followed shortly thereafter by China's chief WTO negotiator, Mr. Cassidy's counterpart, Mr. Long. And from there we have proceeded on a series of sessions with China. And on that basis I came, as well, at the request of the Chinese Government.

Q. Shuhu Mei – China Central Television (CCTV): Protectionism, which you once called the only severe threat to the prosperity of the world economy, exactly happened in the recently escalating banana war between the United States and the European Union. What is your comment on the world role of trade protectionism in the traditional trade policy of the United States, and what are the side effects to the globalization of the world economy? Thank you.

Amb. Barshefsky: I knew I would get a banana question, I knew it. There is not possible escaping it. Certainly we believe that the greatest threat to the global trading system and to global prosperity is a slide into protectionism. It is one of the reasons that the United States has maintained an open market policy. It is a policy we intend to maintain despite a growing trade deficit, largely a function, I should add, of a decline in our exports, since 40 percent of the world is in recession, rather than so much a surge in imports overall. We of course believe in fair trade and as in the case of steel, we will vigorously enforce our own fair trade laws. But we are determined to take no action inconsistent with our international obligations and we believe the open market policy the United States has followed has been one of the reasons that we are in the midst of the biggest post war economic boom in memory.

Bananas is a different situation, and it is actually a situation that goes to the heart of an open world trading system and a trading system governed by rules. Bananas is a case where Europe has four times lost on the question whether its banana regime is legal under global rules. It lost not one GATT panel, but a second GATT panel, then a WTO panel, then a WTO appellate body, and Europe refuses to comply with those rulings. Now the WTO is a rules-based system. If the global system is to have creditability, if it is to retain public confidence, if it is to work as a global rules base system, when you loose you comply. We have been faced in the U.S. with the loss of four cases, three of which were highly politically sensitive, and we complied with all of them by working out a negotiated solution with the winning party. For nineteen months, Europe has refused to do that -- the only country we know of out of 181 cases in the WTO who has refused to negotiate a WTO-consistent solution. The result is that the United States will enforce its rights under the WTO to take appropriate action against Europe's or any other country's non-compliance with panel rulings. There is simply no other way this system can function and retain the credibility of the public and serve the overall purpose, the overriding purpose, and that is adherence by countries big and small to a rules-based system.

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Lee, Malcolm R.

From: Halperin, David E.
Sent: Tuesday, April 06, 1999 8:24 PM
To: @NSA - Natl Security Advisor
Cc: @ASIA - Asian Affairs; @SPEECH - NSC Speechwriters; @LEGAL - Legal Advisor; @INTECON - Economic Affairs; @PRESS - Public Affairs; @MULTILAT - Multilateral and Humanitarian Affairs; @KOSOVO; @NONPRO - Export Controls; @NESASIA - NE/South Asia
Subject: Zhu press statement [UNCLASSIFIED]

For SRB/JBS,

Draft for Thursday's press statement with Zhu. With input from Asia, Intecon, and Speech. Also circulated to Legal, Press, Multilat, Kosovo, Nonpro and NESA.

zhu press 2.doc

Comments to me, please.

4/6/99 8:20 pm
Halperin

PRESIDENT WILLIAM JEFFERSON CLINTON
REMARKS AT JOINT PRESS APPEARANCE WITH PREMIER ZHU
WASHINGTON, DC
APRIL 8, 1999

Good afternoon. I again want to thank Premier Zhu for coming. We had a good meeting today, discussing economic issues, which are Premier Zhu's primary portfolio, security issues, and other matters of concern to the American and Chinese people.

Let me, at the outset, speak candidly about our policy toward China. I have no illusions that cooperation with China will soon resolve all of our difficulties. Where we and China cannot agree, America will continue to stand strong for our values and protect our national interests. Our eyes are wide open. But we will also continue to keep our minds open, and look for cooperative approaches that will benefit our citizens.

Our relationship with China can produce frustrations, but it is profoundly important to our future. I remain convinced that we are much better off with America and China seeking to work together to solve common problems, while frankly addressing our differences, whether on human rights, trade, or allegations concerning our weapons laboratories. A policy of confrontation for confrontation's sake accomplishes nothing. It can only fulfill our critics' bleakest prophecies.

Cooperation with China on security matters has brought important results: for example, our work together to seek peace on the Korean Peninsula; our work with India and Pakistan to curb their perilous nuclear competition; and China's actions to join key international agreements limiting the spread of weapons of mass destruction and to limit its own sales of dangerous weapons.

Even where we disagree, there can be great value in meeting to exchange views. Today I had the opportunity to explain as best I could directly to Premier Zhu and his delegation why we and our 18 allies concluded we had to act in Kosovo: Because Serbia violated its commitment to withdraw forces and rejected the fair and balanced peace agreement proposed by NATO nations and Russia -- and was instead engaged in a systematic effort to murder or expel the Kosovar Albanians. Because Serb violence, prior to our strikes, was already pushing tens of thousands of refugees into other countries and threatening to create a wider war at the doorstep of our allies.

As I said to Premier Zhu, Mr. Milosevic started this crisis, and he can end it: by withdrawing his forces and accepting an international security force; by making possible the return of all refugees, as we move toward a political framework that restores self-government to Kosovo. That is the right way to promote our larger goal: a just and lasting peace on a continent whose security has long been tied to ours.

Today, we also discussed our efforts to increase prosperity for both our nations. With Premier Zhu's leadership, China's economy has withstood Asia's financial turmoil and helped mitigate the impact on others. Now, with Asia's recovery underway but regional growth still fragile, Premier Zhu has been squarely addressing China's toughest economic challenges: reforming state-owned industries and financial institutions, rooting out corruption, bringing China into the information age, expanding international trade. All of these efforts can benefit China, China's neighbors, and American businesses, workers and farmers involved in commerce with China.

I am pleased that we have continued to make progress to bring China into the World Trade Organization on commercial terms -- on fair terms -- although we are not there yet. A fair WTO agreement will go far toward leveling the playing field for American companies and workers in China's markets and will commit China to play by the rules of the international trading system. It will also create greater economic opportunities for China's industries and citizens.

Ultimately, I believe that to succeed in the market-based and information-driven global economy of the new century, China will have to implement broad change -- to strengthen its legal system, impose stronger labor and environmental protections, improve accountability, give citizens greater choices, and increase their access to information.

Because I am convinced that greater freedom, debate and openness is vital to improving China's economy and its citizens' lives, it is especially troubling that in the past year China has taken steps backward on human rights -- arresting people basically for seeking to express peacefully their views about the course China should take. We honor China's achievements and its struggles. We know that change can be difficult. But the American people believe, as do people across the world, that all people are entitled to fundamental freedoms, including freedom of speech, religion, and association.

My hope is that China's leaders will conclude that the benefits of change outweigh the risks. I want the relationship between the United States and China in the 21st Century to be not about differences but about strong cooperation -- against war, dangerous weapons, terrorism, and crime, and for better health care and education, a cleaner environment, achievements in the arts and sciences, deepening of democratic values, and greater prosperity for all our citizens. And I truly hope we can make the progress that will allow us to build such a partnership. Now, Mr. Prime Minister, the podium is yours.

# # #

TO: **Lael Brainard**
Jake Siewart
Malcolm Lee

FR: **David Marchick**

If you have questions, pls call me at home 986-4919 or work 647-4045.

Suggested points for POTUS speech tomorrow.

I am pleased to announce that the United States and China reached a new agreement to expand civil aviation between our two countries. This agreement doubles passenger and cargo flights between our countries, allows an additional U.S. airline to enter the market, expands cooperation between our airlines, and enables more U.S. cities to have direct service to China. It will tie our people and economies closer together. Expanded aviation links will mean new jobs, new investment and hundreds of millions of dollars of new economic activity for local communities in the United States. A number of people have worked hard over the last year to make this happen, but I want to thank in particular Secretary Albright and Slater and Congressman Jim Oberstar of Minnesota for their outstanding work on this issue.

China -- WTO
April 5, 1999

Q: What's the status of the talks with China on WTO? Are we close to a deal?

A: China has sent an expert level team to Washington for further talks, which are ongoing today. Long Yongtu, China's negotiator, is meeting today with Assistant Trade Representative Bob Cassidy. Those discussions will continue as long as we are making progress.

There is no question that China has put more significant market-opening agreements on the table. So we have narrowed the differences, but difficult and complex issues remain across all areas of trade, including agriculture, services including telecommunications and insurance, goods including chemicals and autos, distribution rights which affect all sectors, as well as ensuring China abide by acceptable trading rules.

Q: Do you hope to announce a deal when Zhu is in Washington, D.C.?

A: This process will be dictated by substantive progress, not the calendar.

We will not conclude a deal simply because of a visit. Other visits have come and gone. It is up to China to make the politically difficult decisions required to close the gaps.

This deal will only be concluded, if and when, we have an agreement that does enough to open China's markets for American businesses and farmers.

Q: Is there a split in the White House about reaching any China-WTO deal?

A: There is no disagreement whatsoever in our main goal of pursuing an agreement that is commercially viable. That means that China must prove a willingness to open its markets on commercial terms -- an effort that Republican and Democratic Administrations' have been working on for 13 years.

Negotiations with the Chinese continue. Difficult issues remain. If China meets the high test we have set, then we are ready to go forward. In the end, progress will be driven by real market-opening commitments that give better access to our businesses and farmers. That is the key to our approach in these negotiations.

Q: Could you support legislation to have Congress approve any WTO deal?

A: We are working very closely with the Congress and all affected industries on WTO accession, and will continue to do so.

At some point, China's membership in the WTO - which would make all its trade commitments subject to international enforcement - would require a change in the Jackson-Vanick Law, so our law already requires that Congress will have a very direct role in this process.

Q: There seems to be broad bipartisan opposition to admitting China to the WTO. Is that a concern?

A: For thirteen years, Republican and Democratic Administrations, have sought to bring China in the World Trade Organization (WTO) -- and its predecessor, the GATT. The reason is simple: there is no more effective way to open China's markets, advance the rule of law and economic reform in China, and make China's trade practices consistent with international norms than bringing it into the WTO on the right commercial terms.

Bringing China into the WTO on the right commercial terms is fundamentally in our strategic, national, and commercial interest. It means opening China's market, and bringing China's trade practices into line with international trade rules.

Q: Does our record trade deficit with China make it harder to get congressional backing for WTO?

A: If anything, it strengthens the case for getting a solid WTO package that will open to China's markets to American businesses and farmers. America already is the world's most open and wealthiest major economy, and the trade numbers demonstrate that China's exports are climbing.

Getting China into the WTO on commercially viable terms is about opening China's restricted economy and ensuring that China abides by world trading rules. We believe that is an important objective and we will continue to pressure China to come forward with a substantial package to open its markets.

Q: But why would China want to change if they are benefitting from the status quo?

A: China's restrictive trade practices are hampering its ability to build a modern and prosperous economy. That is something that China's leaders understand, and it is in their best interests to join the international trading system and the global economy.

China
Economic Prospects

Question:

What is your evaluation of the state of the Chinese economy?

Answer:

- China's growth prospects in 1999 compare favorably to those of other Asian economies.

- Nonetheless China's GDP growth has been slowing and the outlook for 1999 is complicated by both internal and external factors.

  -- Internally, the Chinese government is grappling with restructuring the economy.

  -- On the external side, the strength of the recovery of Asian crisis countries and Japan will have a major impact on China's level of economic growth.

- Over the medium term, the authorities clearly recognize the need to address the restructuring of state owned enterprises and reform of the banking system. But how to best move forward is more problematic, and we shall continue discussions on that issue through the course of the year.

INA/DCrane 4/5/99

China
Devaluation

Question:

Do you think that China will devalue the yuan?

Answer:

The Chinese authorities have publicly stated their judgement that maintaining the value of the yuan is in China's best interest. They have given us no indication of any change in their analysis.

If pushed harder on our views of their analysis:

We do not comment publicly on another country's foreign exchange rate policy.

DCrane/DZelikow 4/5/99

TO: **Lael Brainard**
Jake Siewart
Malcolm Lee

FR: **David Marchick**

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U.S. DEPARTMENT OF STATE
OFFICE OF TRANSPORTATION AFFAIRS
Room 5830, 2201 C Street, NW,
Washington, DC 20520-5820

FAX

Date: 4/6/99

Number of pages including cover sheet: 3

To:
Dorothy Robyn 456-2223
Malcolm Lee 456-9290
Paul Gretch 366-3694
Mark Koumans 647-6820

Phone:

Fax phone:

CC: EAP - David Keegan 7-0076

From:
EB/TRA - Richard Behrend RB

Phone: (202)647-4045

Fax phone: (202)647-4324

REMARKS: ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please comment

Attached is a revised list of China civair phone calls with suggested action by agency. Malcolm Lee: please give me your comments/ clearance and let us know if we should begin tomorrow morning.

cc: Tom White (EB)

China Civair – Hill Calls

House

Duncan R-Tenn
Chairman, Aviation SubComm ***(DOT)***

Lipinski D-Ill
Ranking Minority
Aviation SubComm ***(DOT)***

Oberstar D-Minn
Ranking Minority
Transportation Comm ***(State/EB)***

Shuster R-PA
Chairman, Transportation
And Infrastructure Comm ***(DOT)***

Bereuter R-Nebraska
Chairman, Asia & Pacific SubComm
(State/EAP)

Ros-Lehtinen R-FL
Chairman, Int'l Economic Policy and Trade
SubComm ***(State/EB)***

Menendez D-NJ
Ranking Minority
Int'l Economic Policy SubComm
(State/EB)

Lantos D-CA
Ranking Minority
Asia & Pacific ***(State/EAP)***

Senate

McCain R-AZ
Chairman, Commerce Comm ***(DOT)***

Rockefeller D-W.VA
Ranking Minority, Aviation SubComm
(DOT)

Gorton R-WA
Chairman, Aviation SubComm ***(DOT)***

McConnell R-Ky
(UPS interest) ***(State/EB)***

Wyden D-OR
(Delta/Portland interest) ***(?)***

Smith D-OR
(Delta/Portland interest) ***(?)***

Hollings D-SC
Ranking Minority, Transportation Comm
(DOT)

Hagel R-Nebraska
Chairman, Int'l Economic Policy SubCom
(State/EB)

Sarbanes D-MD
Ranking Minority, Int'l Economic Policy
SubComm ***(State/EB)***

Thomas R-Wyoming
Chairman, East Asian and Pacific Affairs
SubComm ***(State/EAP)***

Kerry D-Mass
Ranking Minority, East Asia & Pacific
SubComm ***(State/EAP)***

Also notify Mayor Brown of SF, who called NEC. (United Airlines wants to use frequencies to launch SF-Shanghai service. (NEC action)

As alternatives to members on the aviation subcommittees, call staffs:

Ann Choiniere, Senate, Majority, Aviation Subcommittee
Sam Whitehorn, Senate, Minority, Aviation Subcommittee

David Schaeffer, House, Majority, Aviation Subcommittee
Paul Feldman, House, Minority, Aviation Subcommittee

Note: Rich Behrend (State/EB/TRA) notified Oberstar Committee staffer David Heymsfeld, who accompanied Oberstar to China. Dave Marchick has called and left a message for Oberstar.

6 April

FAX

To: Dorothy Robyn 456-9290

Malcolm Lee 456-22~~23~~

Fm: Rick Behrend tel 647-1955

~~Attached~~ is China text in case you don't have it. TPs are those received from Embassy Beijing. We are preparing our own set here.

TALKING POINTS ON AVIATION AGREEMENT

- The United States and China initialed an ad ref agreement on April 6 to expand the bilateral civil aviation relationship.

- The three-year agreement, following 18 months of discussions and a hectic 24-hour marathon April 5 and 6, doubles the number of flights, allows one new carrier for each side and expands code share points in both the United States and China.

- Northwest, United and Federal Express currently operate nine, fourteen and four frequencies respectively each week for the United States. The U.S. and China can each introduce a new carrier on April 1, 2001.

- The new agreement allows each side to introduce 8 new frequencies immediately, nine new frequencies on April 1, 2000 and ten new frequencies on April 1, 2001.

- The agreement expands code sharing in the United States from ten cities to thirty in 2002 and introduces, for the first time, code sharing in 30 Chinese cities by April 2002.

- The U.S. and China agreed to consult on a range of issues, including third country code sharing in the first quarter of the year 2000.

- China's decision to admit a new entrant to the market came only after interventions by Secretary of State Albright and Secretary of Transportation Slater. In addition, Congressman Jim Oberstar played a crucial role in educating the Chinese about the economic benefits of aviation liberalization.

not checked

Delegation of the People's Republic of China

Shen Yuankang
Vice Minister
CAAC

Zhang Yafeng
Director General
CAAC

Wu Zhouhong
Director
CAAC

He Jinri
Director
CAAC

Hou Wei
CAAC

Zhang Lan
Air China

Qian Qiaoyi
China Eastern Airlines

Chen Zhenyou
China Southern Airlines

Xu Yang
China Southern Airlines

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Not cleared

MEMORANDUM OF CONSULTATION

Delegations representing the Government of the United States of America and the Government of the People's Republic of China met in Beijing on April 5-6, 1999 to review bilateral aviation relations under the 1980 Air Services Agreement between the United States and the People's Republic of China, as amended (the Agreement). Delegation lists are Attachment A hereto.

The discussions were held in an open and constructive atmosphere and built upon previous meetings over the last 18 months between U.S. and Chinese officials. The delegations reached agreement *ad referendum* on, and initialed the text of, a Protocol to the Agreement. The initialed text is Attachment B hereto.

The delegations related their mutual intentions to resume negotiations prior to the first quarter, 2000 to discuss a range of issues including: code sharing with airlines of third countries, code sharing between the airlines of the same country, additional designations, self handling, sale of transportation services, charter operations, fifth freedom combination operations over Japan, and change of gauge rights. The U.S. side also expressed interest in discussing procedures for overflights of, and air routings into, the People's Republic of China.

With regard to doing business issues for U.S. non-designated airlines engaged in code-share arrangements with Chinese airlines, including the right to open and conduct business in representative offices and the right to participate in the billing and settlement plan, the Government of the People's Republic of China will work with the Government of the United States with a view to addressing the issues.

The U.S. delegation explained U.S. policy regarding transportation to and from Alaska and welcomed additional air service to Alaska. The U.S. delegation also reinforced the U.S. view that, under the Agreement, Chinese airlines may uplift cargo in Alaska and transport it to China through any of the named intermediate points.

Delegations also noted the invitation by U.S. Representative James Oberstar to a conference to enhance cooperation between airlines industries in the United States and China.

The Chinese delegation explained that Chinese airlines have confronted a number of problems in obtaining visas for airline employees and requested that the United States facilitate Chinese airlines in obtaining such visas, as well as crew visas. Both delegations shared the view that it is important to process such visas in a timely manner, consistent with applicable regulations, to allow airlines to perform international air services. Consistent with that view, the U.S. delegation provided information regarding certain rules and procedures of the Immigration and Naturalization Service (INS) and expressed a willingness to discuss the issue and to help the Chinese airlines to better understand the visa application and issuance process. Delegations represented the intentions of their respective aeronautical authorities to permit operations consistent with the terms of the attached agreement on the basis of comity and reciprocity from the time of its initialing until its entry into force.

For the Delegation of the United States of America	For the Delegation of the People's Republic of China
Mr. David Marchick Chairman	Mr. Zhang Yafeng Chairman

Beijing, April 6, 1999

Not cleared

Attachment A

Delegation of the United States of America

David Marchick
Deputy Assistant Secretary for
Transportation Affairs
Department of State

Edward Oppler
Office of International Aviation
Department of Transportation

David Newman
Attorney Advisor
Department of State

Robert Ludan
U.S.Embassy

Robert Goldberg
U.S. Embassy

Paul Neureiter
U.S. Embassy

James Brown
U.S. Embassy

Ananias Blocker
American Airlines

Christopher Lin
United Airlines

Scott Hallford
Federal Express

Steven Monohan
United Parcel Service

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Attachment B

Protocol
To the Agreement Between the Government of
the United States of America and the Government
of the People's Republic of China Relating to Civil Air Transport

The Government of the United States of America and the Government of the People's Republic of China (hereinafter the "Parties"),

Desiring to expand relations between their countries, to enhance friendship between their peoples, and to facilitate international air transport;

Have agreed to amend the Agreement between the Government of the United States of America and the Government of the People's Republic of China Relating to Civil Air Transport signed September 17, 1980, as amended (hereinafter "the Agreement") as follows:

1. Designations

Paragraph (1) of Article 3 of the Agreement relating to designations is replaced by the following:

> (1) Each Party shall have the right to designate in writing through diplomatic channels to the other Party, four (4) airlines to operate the agreed services on either Route A or Route B in Annex I, as applicable, and to withdraw or alter such designations. Airlines designated for Route A may operate combination services, all-cargo services, or both. Airlines designated for Route B may operate all-cargo services only. Three of the designated airlines may conduct such operations without delay. The fourth designated airline may conduct such operations as of April 1, 2001.

2. Code Sharing

Subparagraph 5(2) of Article 11 of the Agreement relating to code sharing is replaced by the following:

> (2) In addition to the rights available to the designated airlines of both Parties pursuant to subparagraph (1), above, U.S. and Chinese Airlines shall be entitled to engage in code sharing operations as follows:
>
> > (a) Any designated Chinese airlines may code share with any U.S. airlines between the points in the United States provided for in subsection II A of Annex I and:
> >
> > > (i) from October 27, 1998, to March 31, 2000: 10 additional points;
> > > (ii) from April 1, 2000, to March 31, 2001: 15 additional points;
> > > (iii) from April 1, 2001, to March 31, 2002: 25 additional points; and
> > > (iv) from April 1, 2002: 30 additional points
> >
> > in the United States to be selected by the Government of the People's Republic

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of China, and also may code share between the points in the United States provided for in subsection II A of Annex I.

(b) Any designated Chinese airlines may code share with any U.S. airlines between the following points in the United States: Detroit, New York, Chicago, San Francisco, Los Angeles, Honolulu, Seattle, Anchorage, Fairbanks, Atlanta, Portland and any other points in the United States selected under Route A in Section II of Annex I, and the following points in China: Shanghai, Guangzhou, Beijing, and two additional points in China selected for Route A in Section I of Annex I.

(c) Any designated Chinese airlines may code share with any U.S. airlines between the points in China provided for in subsection I A of Annex I and:

(i) from April 1, 2000, to March 31, 2001: 6 additional points;
(ii) from April 1, 2001, to March 31, 2002: 15 additional points; and
(iii) from April 1, 2002: 20 additional points

in China to be selected by the Government of the United States, and also may code share between the points in China provided for in subsection I A of Annex I.

3. Route Rights

Annex I of the Agreement relating to route rights is amended as follows:

A. Section I (First Route), section II (Second Route) and section III (All-Cargo Route) are replaced by the following section I and section II:

I. Routes for the United States of America

A. Route A: Any airlines designated by the Government of the United States of America for Route A shall be entitled to operate combination and all cargo services with full traffic rights on the following route, in both directions:

From any point or points in the United States, via Tokyo or another point in Japan, to Shanghai, Guangzhou, Beijing, and two additional points in China to be selected by the Government of the United States of America, from among Chinese airports open to scheduled international operations.

B. Route B: Any airlines designated by the Government of the United States of America for Route B shall be entitled to operate all-cargo services with full traffic rights on the following route, in both directions:

From any point or points in the United States of America, via any intermediate points to any point or points in the People's Republic of China open to scheduled international operations, and beyond to any points outside

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the People's Republic of China.

II. Routes for the People's Republic of China

A. Route A: Any airlines designated by the Government of the People's Republic of China for Route A shall be entitled to operate combination and all-cargo services with full traffic rights on the following route, in both directions:

From any point or points in the People's Republic of China, via Tokyo or another point in Japan, to Anchorage, Chicago, Fairbanks, Honolulu, Los Angeles, New York, San Francisco, Seattle, Atlanta, Portland and two additional points in the United States to be selected by the Government of the People's Republic of China from among U.S. airports open to scheduled international operations. Anchorage, Fairbanks and/or a point in Japan other than Tokyo and Osaka may be used as technical stops in both directions on this route.

B. Route B: Any airlines designated by the Government of the People's Republic of China for Route B shall be entitled to operate all-cargo services with full traffic rights on the following route, in both directions:

From any point or points in the People's Republic of China, via any intermediate points to any point or points in the United States of America open to scheduled international operations, and beyond to any points outside the United States of America.

B. Section IV (Extra Sections) is renumbered as section III.

C. Section V (Traffic Rights in Japan/Stopover Rights in the United States) is renumbered as section IV.

D. Note 4, at the end of Annex I, is replaced by the following:

The People's Republic of China may add a total of two intermediate or beyond points of its own choosing to its routes. These two points may be served with full traffic rights.

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4. Capacity Arrangements

Annex V of the Agreement relating to capacity and carriage of traffic is amended as follows:

A. Section (1) is replaced by a revised section (1) as follows:

(1) Notwithstanding any other provisions of the Agreement, designated airlines of each Party shall be entitled to operate the following number of weekly frequencies, which each Party may allocate to its designated airlines as it wishes:

(a) from April 1, 1999, to March 31, 2000: 35 frequencies; additional
(b) from April 1, 2000, to March 31, 2001: 44 frequencies; ~~and~~ additional
(c) from April 1, 2001: 54 frequencies additional

According to the ~~subject~~ to the limitation, applicable only to combination services, ~~that~~ no more than 39 frequencies may be operated with fifth freedom rights between Japan and China.

B. Section (2) is deleted and in its place, the following section (2) is inserted:

(2) Of the available frequencies, there shall be no limitation on the number of frequencies that may be used for combination or all-cargo services or the number that may be operated by any designated airlines on any route provided for in Annex I.

5. Entry Into Force

This Agreement shall enter into force when it has been confirmed by an exchange of notes through diplomatic channels.

Done in on in duplicate in the English and Chinese languages, both texts being equally authentic.

For the Government of the United States of America	For the Government of the People's Republic of China

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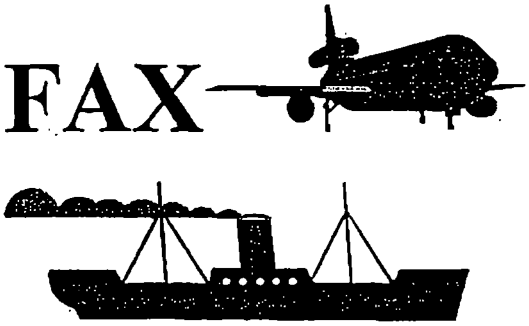
U.S. DEPARTMENT OF STATE
OFFICE OF TRANSPORTATION AFFAIRS
Room 5830, 2201 C Street, NW,
Washington, DC 20520-5820

FAX



Date: April 6, 1999

Number of pages including cover sheet: 6

To:
Lael Brainard
Jake Siewart
Malcolm Lee

Phone:

Fax phone:

CC:

From:
David Marchick and Tom White

Phone: (202)647-4045 or 7540

Fax phone: (202)647-4324

REMARKS: ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please comment

David will be out of the office on Wednesday. If you have any questions/comments please direct them to Al Larson or Tom White.

cc: Al Larson

U.S.-CHINA CIVIL AVIATION TALKING POINTS

- The U.S.-China trade relationship has been constrained by a highly restrictive bilateral aviation agreement that limits air links between our countries.

- The U.S. has been pursuing a new aviation relationship with China for more than 18 months. Only in the last two weeks, following high level interventions by the White House, Secretaries Albright and Slater, and ranking Aviation committee Representative James Oberstar, have we closed the gaps with the Chinese.

- U.S. negotiators traveled to China last Saturday and secured an agreement after a marathon negotiating session.

- This agreement provides additional access that will benefit air carriers, consumers, and cities in both countries.

- During the three-year duration of the new agreement:

  Scheduled flights will double, growing from 27 to 54 per week for each country's carriers.

  An additional carrier from each country can serve the market, raising the total to four per country. The Department of Transportation will hold a carrier selection process to determine which carrier will serve the market.

  U.S. carriers now will have unlimited freedom to choose the city of origin in the United States. Previously, cities of origin were severely limited.

  U.S. passenger carriers are allowed to serve two more cities in China and Chinese carriers are allowed to serve two more cities in the United States. Cargo routes were already unlimited under the old agreement.

  U.S. airlines will be able to serve 20 more Chinese cities through code-share arrangements with Chinese carriers. Chinese carriers will be able to serve 30 more U.S. cities through U.S. partners.

- Further negotiations will be held within a year. Among our continuing priorities are additional market entrants, expanded codesharing, U.S. airline ticket offices and a liberalized charter regime.

U.S.-CHINA CIVIL AVIATION AGREEMENT FACT SHEET

After 18 months of work U.S. and Chinese negotiators reached agreement on expanding our bilateral Civil Air Transport Agreement. The new agreement significantly expands opportunities for commercial air services between the two countries. In addition, the parties committed to further consultations within a year on a number of additional issues. Among the key provisions of the new agreement:

A doubling of scheduled flights.

- The 27 weekly flights between the U.S. and China available to each country for its air carriers are increased to 35 immediately, 44 on April 1, 2000, and 54 on April 1, 2001.

New entry into the market.

- At present, three airlines from each country may serve the U.S.-China market. (United, Northwest and FedEx currently are designated by the U.S.) On April 1, 2001, each country will be able to designate one more carrier to provide service.

Service to more cities.

- The agreement allows U.S. carriers the ability to fly to China from any U.S. city. Previously, U.S. carriers were severely limited in the number of cities from which their flights could originate.

- The U.S. may select two more points in China to be served by U.S. passenger carriers. Previously, U.S. passenger carriers were only allowed to fly to Beijing, Shanghai, and Guangzhou. Cargo carriers can serve any city in China.

- China may select two more points in the U.S. to be served by Chinese combination flights operating from any point in China. (Service to Anchorage, Atlanta, Chicago, Fairbanks, Honolulu, Los Angeles, New York, Portland, San Francisco, and Seattle was previously available.)

- By April 1, 2002, U.S. airlines will be able to serve 20 more Chinese cities through code-sharing arrangements with Chinese carriers. Similarly, Chinese carriers will be able to serve 30 more U.S. cities through code sharing with U.S. partners.

Further consultations.

- Within a year the U.S. and China will resume negotiations, focusing on a number of issues:

  -- additional market entrants;

  -- codesharing between same-country airlines and with third-country airlines;

  -- U.S. airline ticket offices in China;

  -- charter operations.

- In the meantime, the U.S. will continue to press for progress in these areas.

Q. How can we accept a new agreement that allows only one additional U.S. carrier to serve China over the next three years?

A. Increasing the number of U.S. carriers serving the market from three to four represents a significant expansion of rights that will benefit U.S. and Chinese consumers and localities, as well as the U.S. carrier chosen pursuant to DOT's selection process. In addition, we have obtained a Chinese commitment to negotiations within a year that will consider adding even more new U.S. market entrants. Market access for U.S. carriers continues to be a primary USG goal.

Q. Doesn't this agreement guarantee Fedex a monopoly position in the express mail business to China for the foreseeable future?

A. Under our current agreement, no U.S. cargo carrier was able to mount even daily service. Fedex had four weekly frequencies to China, insufficient to offer its normal international express mail service. The new agreement means that Fedex can apply for additional frequencies in order to offer daily service to a number of cities in China. The agreement also allows the U.S. to name a new carrier -- passenger or cargo -- to serve China beginning in April 2001. U.S. cargo carriers and express air providers can apply for this new designation. In addition, China has agreed to meet with the U.S. early next year to discuss the possibility of additional designations, among other issues.

Note: The Department of Transportation will hold a regulatory proceeding to determine which carriers will receive new authority for flights and which new carrier will be authorized to enter the U.S.-China market under the agreement. Because it is a regulatory proceeding, neither the White House nor any department other than DOT can discuss or have input into the matter.

Lael/Gene/Al -- I don't know the official WH line on regulatory matters. I would stick to that or simply no comment.

United Parcel Service
Corporate Public Affairs
316 Pennsylvania Ave., S.E.
Suite 300
Washington, D.C. 20003

Phone: (202) 675-4220
Fax: (202) 675-4230
ATLAS: 5-270-4230

Malcolm Lee
456-9290

UPS

Worldwide
Olympic Partner

FACSIMILE TRANSMISSION

6 Pages (Including cover page)

Date: 04/02

To: David Marchick

Time:

c/o Judy

Fax: 647.4324

From: Ana Guevara

Message: If you have any questions, contact Allison Kelly at 202.675.3356

United Parcel Service
55 Glenlake Parkway, NE
Atlanta, GA 30328
(404) 828-6164

James P. Kelly
Chairman, Chief Executive Officer

April 2, 1999

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I want to compliment you and your team on your efforts to improve economic and political relations with China. We at UPS fully support those efforts and want to see them succeed.

There is one area, however, where the Administration appears ready to settle for an agreement with China that short changes the U.S. economy and U.S. workers. I understand that our aviation negotiators are considering concluding an agreement with China that falls far short of achieving the far-reaching liberalization our two countries' rapidly expanding economic and trade relationship demands. We should not settle for an agreement that achieves anything less than the addition of two new carriers to this important market.

The agreement the Administration is currently contemplating would not permit any new U.S. airline to enter the U.S.-China market for two to three years, at which time a single new entrant could be designated. U.S. carriers -- passenger and cargo - would have to compete for that designation. In the meantime, the incumbent carriers in the market -- Federal Express, United, and Northwest -- would be able to apply for additional frequencies to serve existing and new points in China.

The effect of the proposed agreement would be to block entry by a new cargo carrier for at least two to three years. And based on the historic preference given to passenger carriers in route award cases, I can only conclude that the chance of a new cargo carrier being designated then would be slim. It also means that more far-ranging and badly needed liberalization in the U.S.-China market would be put off indefinitely and, as inconceivable as it may seem, thereby perpetuate the current U.S. carrier monopoly in all-cargo service.

I am firmly convinced that there is a better civil aviation deal to be had, if the United States holds to its original position and does not rush to conclude a halfway agreement. Past discussions have resulted in some movement on the part of China toward the U.S. position; and that movement calls for additional discussions between our two governments to reach an agreement that will truly maximize the benefits realized by the U.S. economy, U.S. workers, and U.S. air carriers.

Mr. President, I urge you not to conclude a new aviation agreement with China just for the sake of having one. No deal would be better than the one our negotiators are currently contemplating. We can do better.

Respectfully yours,

Jim

James P. Kelly

cc: The Honorable Madeline K. Albright
The Honorable Rodney E. Slater
Representative James L. Oberstar

United Parcel Service
55 Glenlake Parkway, NE
Atlanta, GA 30328
(404) 828-6164

James P. Kelly
Chairman, Chief Executive Officer

April 2, 1999

The Honorable Madeleine K. Albright
Secretary of State
U.S. Department of State
2201 C Street, NW
Washington, D.C. 20520

Dear Madam Secretary:

Enclosed is a copy of a letter I sent today to President Clinton regarding the current PRC proposal to revise the U.S.-China civil aviation agreement. As you can see, UPS believes it is neither in our company's interests, nor in the interests of the United States, to accept China's proposed revisions. We believe strongly that the United States can do better, and that, by rejecting this proposal, we are more likely to do better.

We are very grateful for all your efforts on our behalf and hope very much to have your continued support. I look forward to continuing to work with you on this most important matter.

Respectfully yours,

James P. Kelly

United Parcel Service
55 Glenlake Parkway, NE
Atlanta, GA 30328
(404) 828-6164

James P. Kelly
Chairman, Chief Executive Officer

April 2, 1999

The Honorable Rodney E. Slater
Secretary of Transportation
U.S. Department of Transportation
400 Seventh Street, SW
Washington, D.C. 20590

Dear Mr. Secretary:

Enclosed is a copy of a letter I sent today to President Clinton regarding the current PRC proposal to revise the U.S.-China civil aviation agreement. As you can see, UPS believes it is neither in our company's interests, nor in the interests of the United States, to accept China's proposed revisions. We believe strongly that the United States can do better, and that, by rejecting this proposal, we are more likely to do better.

We are very grateful for all your efforts on our behalf and hope very much to have your continued support.

I look forward to continuing to work with you on this most important matter.

Respectfully yours,

Jim

James P. Kelly

United Parcel Service
55 Glenlake Parkway, NE
Atlanta, GA 30328
(404) 828-6164

James P. Kelly
Chairman, Chief Executive Officer

April 2, 1999

The Honorable James L. Oberstar
Ranking, Subcommittee on Aviation
House Transportation and Infrastructure Committee
2365 Rayburn Office Building
Washington, D.C. 20515

Dear Congressman Oberstar:

Enclosed is a copy of a letter I sent today to President Clinton regarding the current PRC proposal to revise the U.S.-China civil aviation agreement. As you can see, UPS believes it is neither in our company's interests, nor in the interests of the United States, to accept China's proposed revisions. We believe strongly that the United States can do better, and that, by rejecting this proposal, we are more likely to do better.

We are very grateful for all your efforts on our behalf and hope very much to have your continued support.

I look forward to continuing to work with you on this most important matter.

Respectfully yours,

Jim

James P. Kelly

EMERGENCY COMMITTEE FOR AMERICAN TRADE

April 6, 1999

FACSIMILE TRANSMITTAL

To: Malcolm Lee

From: Cal Cohen

Comments:

I thought that you would be interested in the accompanying letter to the President regarding China's accession to the WTO.

1211 Connecticut Avenue, N.W., Suite 601, Washington, D.C. 20036 Phone 202.659.5147 Fax 202.659.1347

April 6, 1999

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

Dear Mr. President:

We are writing to urge your continued leadership in forging a strong relationship between the United States and China.

U.S.-China relations are at a difficult juncture, with problems having surfaced between the two countries in important areas. Your ongoing efforts to address these problems are key to ensuring that America's policy of engagement with China continues to advance American interests, most notably America's security interests. At the same time, the United States must pursue initiatives to move the relationship forward in areas where meaningful cooperation can be achieved. One such area is China's accession to the World Trade Organization (WTO).

The U.S. business community has consistently supported China's accession to the WTO, as long as the final package provides meaningful commercial opportunities for U.S. manufacturing firms and their workers, American farmers, and service providers. We are encouraged that your skilled team of negotiators working with their Chinese counterparts appears to be making progress after 12 years and countless negotiating sessions.

It now appears that there is a window of opportunity to make significant progress on China's WTO accession. We urge you to capitalize on this window and move deliberately to secure a good agreement between the two countries.

Mr. President, we want to assure you that if a commercially-meaningful agreement can be reached between the United States and China, our companies are committed to working with you and Members of Congress to forge a bipartisan consensus to achieve our longstanding goal of a normal commercial relationship between our two countries. We understand that this will involve a significant effort to build bipartisan support for the legislative changes required for the United States to benefit from China's accession agreement.

In closing, we would note that bringing China into the international trading community will not only strengthen the relationship between our two countries, but it will also be a clear endorsement of America's longstanding view that market principles and open trade are key to global financial and economic stability. We need your active leadership to make this a reality and are committed to support you in this endeavor.

Sincerely,

D. Howard Pierce
President and CEO
ABB Inc.

Charles R. Perrin
Chief Executive Officer
Avon Products Inc.

R. E. Olson
Chairman and CEO
Champion International Corporation

Frank Williams
President and CEO
Action Instruments

John B. McCoy
President and CEO
Bank One Corporation

Walter V. Shipley
Chairman
The Chase Manhattan Bank

Harold A. Wagner
Chairman and CEO
Air Products & Chemicals, Inc.

Erroll B. Davis, Jr.
President and CEO
Alliant Energy

Donald J. Carty
Chairman, President and CEO
American Airlines

Robert D. Holmes
President and CEO
American Building Systems, Inc.

John R. Stafford
Chairman, President and CEO
American Home Products Corporation

Maurice R. Greenberg
Chairman and CEO
American International Group, Inc.

Emmanuel A. Kampouris
Chairman, President and CEO
American Standard Companies, Inc.

James C. Morgan
Chairman and CEO
Applied Materials, Inc.

George A. Lorch
Chairman and CEO
Armstrong World Industries Inc.

Louis Lau
Chairman
AsiaInfo Holding

Michael Armstrong
Chief Executive Officer
AT&T

Riley P. Bechtel
Chairman and CEO
Bechtel Group, Inc.

Charles R. Shoemate
Chairman, President and CEO
Bestfoods

Len C. Rodman
President and CEO
Black & Veatch Holding Company

Philip M. Condit
Chairman and CEO
The Boeing Company

Graham R. Hunt
Chairman, BP China
BP Amoco Chemicals

Ernest S. Micek
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Cargill, Incorporated

Louis J. DeMarco
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Carnisco International Press

Jean-Pierre Rosso
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Case Corporation

Glen A. Barton
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Caterpillar Inc.

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Eastman Chemical Company

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Chairman and CEO
Eastman Kodak Company

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John D. Hushon
President
El Paso Energy International Company

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Lee R. Raymond
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Exxon Corporation

Frederick W. Smith
Chairman, President and CEO
FDX Corporation

Philip Carroll
Chairman and CEO
Fluor Corporation

Burt N. Burt
Chairman and CEO
FMC Corporation

William Clay Ford, Jr.
Chairman
Ford Motor Company

Richard J. Swift
Chairman, President and CEO
Foster Wheeler Corporation

George W. Sarney
Division Chief Executive
The Foxboro Company

John Welch
Chairman and CEO
General Electric Company

Steve Sanger
Chairman and CEO
General Mills

John F. Smith, Jr.
Chairman, President and CEO
General Motors Company

Roger Geiser
Chief Executive Officer
G & S Titanium Inc.

Philip G. Satre
Chairman and CEO
Harrah's Entertainment, Inc.

Ramani Ayer
Chairman and CEO
The Hartford

R. Keith Elliott
Chairman and CEO
Hercules Incorporated

Lewis E. Platt
President, Chairman and CEO
Hewlett-Packard Company

Howard Paster
Chairman and CEO
Hill and Knowlton

Carla A. Hills
Chairman and CEO
Hills & Company

Michael R. Bonsignore
Chairman and CEO
Honeywell Inc.

Chi-Nigh Liu
President and CEO
Huatek Software Engineering Co. Ltd.

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Ken Way
Chairman and CEO
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Peter Kulish
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Arthur Ryan
Chairman
Prudential Insurance Company

Jeremiah Sheehan
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Robicon

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TRW Inc.

Bill L. Rose
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Richard K. Davidson
Chairman and CEO
Union Pacific

James Kelly
Chairman and CEO
United Parcel Services

George David
Chairman and CEO
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Viad Corporation

Gordon W. Murchie
President
Vinifera Wine Growers Association

Steve R. Rogel
President and CEO
Weyerhaeuser Company

David M. Friedson
Chairman and CEO
Windmere Durable Holdings, Inc.

E. Gary Cook
Chairman, President and CEO
Witco Corporation

Wm. Wrigley, Jr.
President and CEO
Wm. Wrigley Jr. Company

cc: The Honorable Madeleine Korbel Albright
The Honorable Charlene Barshefsky
The Honorable William M. Daley
The Honorable Dan Glickman
The Honorable Robert E. Rubin

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002. email	Marnix Koumans to Stephen Schlaikjer, Henry Levine, and Sung Kim. Subject: CivAir Update. (1 page)	04/05/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
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OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508

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69210

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From: Mkecash

BEIJING, CHINA
FOR IMMEDIATE RELEASE
MARCH 30, 1999

CONTACT: JAY ZIEGLER
(202-395-3230)

STATEMENT OF AMBASSADOR CHARLENE BARSHEFSKY CONCERNING THE STATUS OF NEGOTIATIONS ON CHINA'S WTO ACCESSION

I first want to acknowledge the extraordinary dedication and perseverance of our negotiating teams led by Assistant United States Trade Representative Robert Cassidy and Vice Minister of Trade Long Yongru. When I was here last, I left my team to continue its work. They have since participated in multilateral talks in Geneva and returned to Beijing about a week ago.

As you know, a few weeks ago I indicated that I would return to Beijing if my involvement in negotiations here would facilitate progress. It was on that basis at the request of the Chinese Government that I flew to Beijing yesterday, and I have just concluded constructive meetings with State Council member Wu Yi and Premier Zhu Ronji on the issue of China's WTO accession.

I am pleased to report that we have made some important progress today in narrowing the issues before us. Substantial gaps remain, however, in critical areas of trade, and there are complex issues in front of us. As a result of our discussions today, China and the United States have agreed to further discussions. These discussions will occur at the expert level, led by Robert Cassidy on our side, and Vice Minister Long for the Chinese. The United States will set no artificial deadlines in these negotiations; progress will only be driven by substance.

Our commitment to these negotiations and the tireless work of our team demonstrate that the United States supports China's membership in the WTO. But China's accession must be on the basis of a broad, commercially-meaningful package that opens China's markets to our goods, services and agricultural providers. This requires enforceable market-access commitments, transparency, non-discriminatory regulatory systems, and effective national treatment at the border and within China's economy. Of course, this also requires addressing our bilateral trade concerns. And finally, it will also require agreement on all WTO rules.

I want to applaud the seriousness of purpose with which the Government of China has approached these negotiations. China has evidenced substantial understanding of the level of reforms necessary for it to join the WTO. We believe that the reforms that we are outlining in these negotiations will complement China's domestic economic reforms and promote more substantial growth in the future. For the rest of the world, these negotiations are important in brining China into the international trading community with all of the responsibilities which that membership conveys.

Transportation Affairs
EB/TRA, Room 5830
(202)647-4045 Fax (202)647-4324

Department of State

To: Dorothy Robyn 456-2223 From: Richard Behrend RWB

Malcolm Lee 456-9290

Paul Gretch 366-3694

Date: 04/06/99

Re: CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Attached is an initial list of Hill people to notify about the China civair agreement. We may have more to add after discussing with Al Larson. Per Lee/Behrend telcon, we will not make any calls until tomorrow, 4/7.

China Civair - Hill Calls

House	**Senate**
Duncan R-Tenn Chm Aviation SubComm	McCain R-AZ Chm Commerce Comm
Lipinski D-Ill Ranking Minority Aviation SubComm	Rockefeller D-W.VA Ranking Minority Aviation SubComm
Oberstar D-Minn Ranking Minority Transportation Comm	Gorton R-WA Chm Aviation SubComm
	McConnell R-Ky (UPS interest)
	Wyden D-OR (Delta/Portland interest)
	Smith R-OR (Delta/Portland interest)

Also notify Mayor Brown of SF, who called NEC. (United Airlines wants to use frequencies to launch SF-Shanghai service.

As alternatives to members, call Committee staffs:

Ann Choiniere, Senate, Majority, Aviation Subcommittee
Sam Whitehorn, Senate, Minority, Aviation Subcommittee

David Schaeffer, House, Majority, Aviation Subcommittee
Paul Feldman, House, Minority, Aviation Subcommittee

Note: Rich Behrend (State/EB/TRA) notified Oberstar Committee staffer David Heymsfeld, who accompanied Oberstar to China. Dave Marchick has called and left a message for Oberstar.

DRAFT 1

Joint U.S. - China Statement

Negotiations on China's Accession to the World Trade Organization

On this day April 8, 1999, on the occasion of the official visit of Zhu Rongji, Premier of the Government of the People's Republic of China to the United States of America, President of the United States William Jefferson Clinton and Premier Zhu Rongji affirm that:

- China's admission to World Trade Organization on strong commercial terms is in the interests of the United States, the People's Republic of China, and the global trading system,

  on variety specific [illegible]

- the United States and the People's Republic of China have made important progress toward a strong agreement that would allow the United States to support the admission of the People's Republic of China to the World Trade Organization; [illegible]

  building on [illegible] issues agreement [illegible] already reached [illegible] all [illegible]

- nevertheless, additional important issues must be resolved in order for the United States to support China's admission to the World Trade Organization;

- both [illegible] set more firmly [illegible] for next [illegible] prospects for China's [illegible] to enter WTO before necessarily

- negotiations will ~~continue~~ resume o~~ver the~~ in the next 30 days to resolve ~~these~~ all remaining issues. [illegible]

President Clinton and Premier Zhu Rongji further agreed that as a condition for China's entry into the World Trade Organization, the Government of the Peoples Republic of China has agreed to implement significant and far reaching measures, set forth in Attachment 1, relating to the opening of its markets for goods, services and agriculture and has agreed to certain rules, set forth in Attachment 2, that would apply to China as a member of the World Trade Organization. These include, among other things:

[illegible]

- a significant reduction in i~~ndustrial~~ tariffs on a broad range of products,

  [illegible]

- market opening measures in services, including ~~in distribution,~~ insurance, tele~~communications, banking, and travel and~~ tourism.

- significant reductions in tariffs, tariff-rate quotas and quotas for agricultural imports, and procedures China that will allow USG certification of exports of wheat, citrus and beef from the United States to China.

- appropriate rules to address the unique nature of China's economy. ([illegible])

President Clinton and Premier Zhu welcome this progress, agree the important issues set forth in Attachment 3 must be satisfactorily resolved for the United States to support China's admission to the World Trade Organization, and commit to ~~work~~ to resolve such issues within the next 30 days.

[illegible]

DRAFT 1

Joint U.S. - China Statement

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- China's admission to World Trade Organization on strong commercial terms is in the interests of the United States, the People's Republic of China, and the global trading system,
- the United States and the People's Republic of China have made important progress toward a strong agreement that would allow the United States to support the admission of the People's Republic of China to the World Trade Organization;
- nevertheless, additional important issues must be resolved in order for the United States to support China's admission to the World Trade Organization;
- negotiations will continue over the next 30 days to resolve these remaining issues.

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- a significant reduction in industrial tariffs on a broad range of products,
- market opening measures in services, including in distribution, insurance, telecommunications, banking, and travel and tourism.
- significant reductions in tariffs, tariff-rate quotas and quotas for agricultural imports, and procedures China that will allow USG certification of exports of wheat, citrus and beef from the United States to China.
- appropriate rules to address the unique nature of China's economy.

President Clinton and Premier Zhu welcome this progress, agree the important issues set forth in Attachment 3 must be satisfactorily resolved for the United States to support China's admission to the World Trade Organization, and commit to work to resolve such issues within the next 30 days.

Final as released

JOINT U.S.-CHINA STATEMENT
OCTOBER 29, 1997

At the invitation of President William J. Clinton of the United States of America, President Jiang Zemin of the People's Republic of China is paying a state visit to the United States from October 26 to November 3, 1997. This is the first state visit by the President of China to the United States in twelve years. President Jiang Zemin held formal talks with President Clinton in Washington D.C. and also met with Vice President Al Gore, Congressional leaders and other American leaders. Talks also were held between Vice Premier and Foreign Minister Qian Qichen and Secretary of State Madeleine Albright.

The two Presidents had an in-depth and productive exchange of views on the international situation, U.S.-China relations and the important opportunities and challenges facing the two countries. They agree that a sound and stable relationship between the United States and China serves the fundamental interests of both the American and Chinese peoples and is important to fulfilling their common responsibility to work for peace and prosperity in the 21st century.

They agree that while the United States and China have areas of both agreement and disagreement, they have a significant common interest and a firm common will to seize opportunities and meet challenges cooperatively, with candor and a determination to achieve concrete progress. The United States and China have major differences on the question of human rights. At the same time, they also have great potential for cooperation in maintaining global and regional peace and stability; promoting world economic growth; preventing the proliferation of weapons of mass destruction; advancing Asia-Pacific regional cooperation; combating narcotics trafficking, international organized crime and terrorism; strengthening bilateral exchanges and cooperation in economic development, trade, law, environmental protection, energy, science and technology, and education and culture; as well as engaging in military exchanges.

The two Presidents are determined to build toward a constructive strategic partnership between the United States and China through increasing cooperation to meet international challenges and promote peace and development in the world. To achieve this goal, they agree to approach U.S.-China relations from a long-term perspective on the basis of the principles of the three U.S.-China joint communiques.

China stresses that the Taiwan question is the most important and sensitive central question in China-U.S. relations, and that the proper handling of this question in strict compliance with the principles set forth in the three China-U.S. joint communiqués holds the key to sound and stable growth of China-U.S. relations. The United States reiterates that it adheres to its "one China" policy and the principles set forth in the three U.S.-China joint communiqués.

As permanent members of the United Nations Security Council, the United States and China support the UN in its efforts, in accordance with the purposes and principles of the UN Charter, to play a positive and effective role on global issues, including peacekeeping and the promotion of economic and social development. Both countries support efforts to reform the UN and to make the Security Council more representative, while retaining and improving its effectiveness. Stressing the need to put the UN on a firmer financial basis, both countries will participate actively in discussions on the Scale of Assessments in the UN.

As two major countries in the Asia-Pacific region, the United States and China are ready to strengthen their cooperation to meet various challenges and make positive contributions to promoting stability and prosperity in the region. Recognizing that maintenance of peace and stability on the Korean Peninsula is of great importance, the two countries are working through the Four-Party Talks to help establish a durable peace on the Peninsula, and will continue consultations to this end. They also stress that it is in the interest of the two countries to maintain peace and stability in other important regions, including the Middle East, the Gulf, and South Asia.

The two Presidents agreed on a number of steps that will provide a framework for further promoting U.S.-China relations and strengthening their cooperation in international affairs.

High-Level Dialogue and Consultations

The United States and China agree to regular visits by their Presidents to each other's capitals.

They agree to a Washington-Beijing presidential communications link to facilitate direct contact.

They also agree to regular exchanges of visits by cabinet and sub-cabinet officials to consult on political, military, security and arms control issues.

Energy and Environment Cooperation

The United States and China reaffirm the importance of bilateral cooperation across the broad range of environmental issues, as evidenced by the establishment of the U.S.-China Forum on Environment and Development in March 1997.

They consider it a critical challenge to develop and efficiently use energy sources, protect the global environment, and promote environmentally sound growth and development. Accordingly, they agree to strengthen their cooperation in energy and environment through an initiative to accelerate clean energy projects and the appropriate transfer of related technologies. The principal areas of cooperation will be in clean energy, urban air pollution control and rural electrification. This initiative also will foster broader cooperation on global environment issues such as climate change, desertification and bio-diversity. China's State Planning Commission and the U.S. Energy Department have signed the U.S.-China Initiative on Energy and Environment Cooperation to promote effective cooperation in these fields, including the use of clean energy.

Economic Relations and Trade

The two Presidents are prepared to take positive and effective measures to expand U.S.-China trade and economic ties. As both economies move into the 21st century, information technology will be critical to spurring technological innovation and improving productivity. In this regard, China indicated its intention to participate as soon as possible in the Information Technology Agreement. In addition, in the context of WTO negotiations, China will continue to make further substantial tariff reductions.

The United States and China agree that China's full participation in the multilateral trading system is in their mutual interest. To this end, they agree to intensify negotiations on market access, including tariffs, non-tariff measures, services, standards and agriculture and on implementation of WTO principles so that China can accede to the WTO on a commercially meaningful basis at the earliest possible date.

Peaceful Nuclear Cooperation

The United States and China agree that it is in their mutual interest to cooperate in the peaceful uses of nuclear energy. To this end, they each have taken the steps necessary to implement the U.S.-China Agreement on Peaceful Nuclear Cooperation concluded in 1985. In addition, China's State Planning Commission and the U.S. Department of Energy have signed an Agreement of Intent to promote peaceful nuclear cooperation and research between the two countries.

Nonproliferation

The United States and China agree to work to bring the Comprehensive Test Ban Treaty into force at the earliest possible date. They also agree to pursue at the UN Conference on Disarmament the early start of formal negotiations on the Treaty on the Prohibition of the Production of Fissile Materials Used in Nuclear Weapons and Other Nuclear Explosive Devices.

The United States and China reiterate their commitment not to provide any assistance to unsafeguarded nuclear facilities and nuclear explosion programs. China has placed controls on exports of nuclear and dual-use materials and related technology and will take further measures to strengthen dual-use export controls by mid-1998. The United States will continue to enforce firm controls on the export of nuclear and dual-use materials and related technology.

As original parties to the Chemical Weapons Convention, the United States and China agree to cooperate in implementing the Convention within a multilateral framework. Both countries agree on the importance of government oversight of chemical-related exports.

The United States and China agree to build on the 1994 Joint Statement on Missile Nonproliferation. They reaffirm their respective commitments to the guidelines and parameters of the Missile Technology Control Regime (MTCR).

Human Rights

The United States and China both recognize the positive role of the Universal Declaration on Human Rights and other international human rights instruments in promoting human rights. They reiterate their commitment to the promotion and protection of human rights and fundamental freedoms.

While the two countries have not resolved their differences on human rights, they have agreed to discuss them through dialogue at both governmental and non-governmental levels in the spirit of equality and mutual respect. The two countries agree to hold discussions on the structure and functions of an NGO forum on human rights.

Cooperation in the Field of Law

The United States and China agree that promoting cooperation in the field of law serves the interests and needs of both countries.

They will strengthen cooperation in combating international organized crime, narcotics trafficking, alien smuggling, counterfeiting and money laundering. To this end, they intend to establish a joint liaison group for law enforcement cooperation composed of representatives of the relevant agencies of both governments. They agree to begin consultations on mutual legal assistance aimed at concluding a mutual legal assistance agreement.

The United States and China will assign counternarcotics officers to their respective embassies on a reciprocal basis.

Recognizing the importance the United States and China each attaches to legal exchanges, they intend to establish a joint liaison group to pursue cooperative activities in this area. These may include exchanges of legal experts; training of judges and lawyers; strengthening legal information systems and the exchange of legal materials; sharing ideas about legal assistance; consulting on administrative procedures; and strengthening commercial law and arbitration.

As part of this program of legal cooperation, China's Minister of Justice will visit the United States in November 1997 at the invitation of the U.S. Attorney General.

Military-to-Military Relations

The United States and China have reached agreement on the establishment of a consultation mechanism to strengthen military maritime safety, which will enable their maritime and air forces to avoid accidents, misunderstandings or miscalculations.

They agree to share information and discuss issues related to their respective experiences in the areas of humanitarian assistance and disaster relief.

Science and Technology, Educational and Cultural Exchanges

The U.S.-China Joint Commission on Science and Technology will continue to guide the active bilateral scientific and technological cooperation program, which involves more than 30 agreements reached since 1979, and will promote the further use of science and technology to solve national and global problems. The United States and China also will identify areas for cooperative projects using space for Earth science research and practical applications.

The United States and China will expand educational and cultural exchanges. Both Presidents believe that increased people-to-people exchanges will help cultivate long-term bilateral relations.

President Jiang Zemin expressed his thanks to President Clinton and the American people for their warm reception and invited President Clinton to visit China in 1998. President Clinton accepted this invitation with pleasure.