Case Number: 2010-1024-F

FOIA MARKER

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Folder Title:				
China (April to August 1999, Post Zhu Visit) [5]				
Staff Office-Individual:				
National Economic Council-Lee, Malcolm				
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CF 1176				
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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. paper	Unabridged Guide to Outstanding Service Issues. (5 pages)	04/23/1999	P1/b(1)
002a. list	Key Issues for Discussion. (2 pages)	01/14/1999	P1/b(1)
002b. paper	Financial Services. (1 page)	01/20/1999	P1/b(1)
002c. paper	Agriculture. (1 page)	01/20/1999	P1/b(1)
002d. draft	Tariff Proposal. (3 pages)	01/20/1999	P1/b(1)
002e. draft	Market Access and Protocol Issues. (5 pages)	c. 10/1998	P1/b(1)
003. email	White House Situation Room to Alexander Arvizu, Holly Hammonds, John Hill, Kenneth Lieberthal et al. Subject: Restarting WTO Talks. (3 pages)	06/29/1999	P1/b(1)
004. cable	re: Premier Zhu Rongji's Farewell Dinner for the Ambassador. (9 pages)	06/30/1999	P1/b(1)

COLLECTION:
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National Economic Council
Malcolm Lee
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FOLDER TITLE:
China (April to August 1999, Post Zhu Visit) [5]

2010-1024-F
vz1837

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
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P3 Release would violate a Federal statute [(a)(3) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

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STATEMENT BY
BONNIE J. K. RICHARDSON
VICE PRESIDENT, TRADE AND FEDERAL AFFAIRS

ON BEHALF OF THE
MOTION PICTURE ASSOCIATION
1600 EYE STREET NW
WASHINGTON, DC 20002
202-293-1966

February 23, 1999

ITC INVESTIGATION NO. 322-403
Assessment of the Economic Effects on the United States of China's Accession to the WTO

Bonnie J K Richardson

Bonnie J. K Richardson

SUBMISSION BY THE MOTION PICTURE ASSOCIATION

ITC INVESTIGATION NO. 322-403
Assessment of the Economic Effects on the United States of China's Accession to the WTO

The Motion Picture Association is a trade association representing seven of the largest producers and distributors of filmed entertainment (theatrical motion pictures, television programming and home video) in the United States. Its members include Buena Vista International, Inc. (The Walt Disney Company), Columbia TriStar Film Distributors International, Inc., Metro-Goldwyn-Mayer Inc., Paramount Pictures Corporation, Twentieth Century Fox International Corporation, Universal International Films, Inc., and Warner Bros. International Theatrical Distribution.

MPA SUPPORTS CHINA WTO ACCESSION:

MPA strongly supports China's accession into the World Trade Organization. MPA believes that it would be substantially more effective for the U.S. and China to manage their trade relationship from within the agreed standards of the global trading community.

However, it is important as part of the accession process that China agrees to improve access to its market in sectors that are important to the U.S. economy – including the filmed entertainment sector.

ECONOMIC IMPORTANCE OF THE FILM INDUSTRY:

The U.S. copyright-based industries, which include the motion picture, sound recording, computer software, and book industries, were America's number one export sector in 1996. These industries together achieved foreign sales and exports of $60.18 billion, surpassing every other export sector, including automotive, agriculture and aircraft.[1] The U.S. filmed entertainment industry alone earned about $12 billion in foreign revenues in 1997, 40% of the total revenues earned by the U.S. film industry.

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[1] Siwek, Stephne E. and Mosteller, Gale, Economists Incorporated, "Copyright Industries in the U.S. Economy: The 1998 Report," prepared for the International Intellectual Property Alliance, 1998.

ECONOMIC IMPACT OF FILMED ENTERTAINMENT BARRIERS:

MPA member companies currently face serious market access problems in China. These market access barriers have severely limited the size of U.S. filmed entertainment exports to China. Total U.S. revenues earned in China in 1997 were only around $18 million. We conservatively estimate that losses due to restrictions in import and distribution of motion pictures cost the U.S. industry at least $80 million annually. This estimate does not include the potential growth in the export of filmed entertainment, if the infrastructure were significantly expanded, for example, through liberalization of foreign investment in cinemas or broadcast, cable or satellite television. In addition to the losses resulting from market access restrictions, the U.S. filmed entertainment industry lost $120 million to piracy in China last year.

To address these problems, U.S. negotiators must address three different areas of the negotiations on China's accession to the World Trade Organization: the General Agreement on Trade in Services (GATS), the General Agreement on Tariffs and Trade (GATT), and Trade Related Intellectual Property (TRIPs).

SERVICES BARRIERS IN THE GATS:

The theatrical sectors, the distribution and exhibition of motion pictures in cinemas, is particularly burdened by serious market access restrictions in China. MPA is not seeking immediate abolition of all barriers in these negotiations, but does want to see progress toward liberalization of these barriers in the WTO accession negotiations.

Limitations on import of foreign films. The Chinese government has yet to relax its restrictions on import of foreign films under revenue sharing[2] conditions. There is a *de facto* limitation of 10 films per year on the first-run films that may be brought into China under revenue-sharing conditions. MPA's goals in the accession negotiations are to secure a gradual increase in the number of films.

[2] Revenue-sharing refers to the commercial terms that are the industry standard for MPA member companies. Under "revenue sharing" the distributor and the cinema owner negotiate the percentage of the box office receipts each will receive, such as a 50/50 split.

Government Monopoly on Import and Distribution of Films: Government corporations control all aspects of the import and internal distribution of films in China. China Film Export and Import Corporation controls the import of films. China Film Distribution and Exhibition Bureau in China and its regional subsidiaries own the majority of the cinemas and dictate the contractual terms, play dates, admission prices and other aspects of film exhibition.

In most markets, MPA member companies choose to distribute their films directly. MPA's goals for the WTO accession negotiations in China are much more modest -- an increase in the number of Chinese distribution companies involved in the distribution of U.S. major company films. By expanding the number of distributors, both the U.S. and the Chinese film industries will benefit from the increased efficiencies of competition.

Cinema ownership: Commitments to allow foreign investment in cinemas could help build up the infrastructure and expand the total market for motion pictures in China – for US films, as well as Chinese films. At present, foreigners are not permitted to own or operate cinemas in China. Some foreign equity participation has been authorized for renovation of cinemas in several major cities on a trial basis only. Foreign investors have also been involved as minority partners in construction of mini-malls that include cinemas – but again, as an exception, rather than the rule.

China remains one of the more under-screened markets in the world. There are about 3000 cinemas exclusively dedicated to exhibition of motion pictures. In addition, there are approximately 7000 others theaters that exhibit motion pictures on a part-time basis; included in this number are theaters that also host live exhibitions (dance, concerts, opera) and theaters that serve specialized clientele, such as the workers in a large factory, rather than the general public. The ratio of screens per person is only 1 screen per 122,000. This compares to a total of 30,825 screens in the United States and a ratio of screens per person of 1 per 8,600 people.

MPA's goal in the WTO negotiations is to secure the ability for foreigners to participate in joint ventures for construction and renovation of motion picture theaters.

Lengthy Censorship Procedures: The process for obtaining censorship decisions, especially for motion pictures, can require several months. MPA sees an "additional commitment" specifying that censorship will be handled expeditiously, normally in 15 days.

Market Access Barriers for Television Programming: Foreign programming is restricted to 25% of total air-time for broadcast stations. In addition, the broadcast of foreign programming is limited to no more than 40 minutes of prime time between 6 pm and 10:00 pm. The government acquisitions authority, China International Television Corporation, must approve import of foreign programming.

GATT TARRIF BINDINGS:

China remains among the world's least profitable markets for theatrical distribution due to its heavy burden of taxes and import duties. The WTO negotiations can help address the import duty problem. MPA seeks tariff bindings for cinematographic film and recorded magnetic tape for television programming and home videos, as well as bindings on new optical media products, such as Digital Video Discs and Video Compact Discs. Although the tariff levels are not thought to be particularly high, MPA companies are concerned about the valuation method for assessing those duties. Prevailing world practice is to value films on the basis of the "material substrate." U.S. duties, for example, are expressed in terms of cents per meter of film, or, in the case of optical media products, on the value of the blank diskette. Chinese valuation practices remain unclear.

TRIPS:

Since 1996 China achieved a remarkable record for stemming the unauthorized reproduction and halting the export of Video Compact Discs and other forms of pirated optical media products. China's domestic market, however, continues to be plagued with extremely high levels of piracy – 90 percent for home video entertainment in 1998. Based on China's record for combating export piracy and the good working relationship that MPA has developed with China's copyright enforcement authorities, MPA is confident that China can make rapid progress in significantly lowering domestic piracy rates to meet TRIPS standards.

January 20, 1999

RE:China WTO Background Papers

Lael:

In addition to today's WTO paper from USTR, attached are some background papers, for your background and not for distribution, for WTO meeting:

- Hank Levine's personal views on dealbreakers
- Treasury's key issues on banking and securities
- State summary on agriculture (summarizing interagency discussion on issues)
- USTR table showing China pre-June summit and China October-December offers (useful to see where progress and Chinese movement in last six months)
- 1 pager from October summarizing results of presummit talks (good summary of key issues)
- State paper from October summarizing key remaining issues (good to see what we have agreed upon)

State is working on summaries of key issues in services, protocol and tariffs (agriculture included above) and will shoot me these as well as Eizenstat's briefing memo when completed. ML

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002a. list	Key Issues for Discussion. (2 pages)	01/14/1999	P1/b(1)

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

FOLDER TITLE:
China (April to August 1999, Post Zhu Visit) [5]

2010-1024-F
vz1837

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002b. paper	Financial Services. (1 page)	01/20/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002c. paper	Agriculture. (1 page)	01/20/1999	P1/b(1)

COLLECTION:
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Malcolm Lee
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FOLDER TITLE:
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2010-1024-F
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FAX TRANSMISSION

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To: Malcolm Lee

Date: 1/20/98

Fax #: 456-9290 ~~202-647-0892~~

Pages: 4 , including this cover sheet.

From: Roger Freeman
EB/TPP/BTA/ODC

Subject: ~~Commerce~~ Tariff Offer

Commerce: Tariffs

COMMENTS: Info on China WTO tariff schedule

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002d. draft	Tariff Proposal. (3 pages)	01/20/1999	P1/b(1)

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002e. draft	Market Access and Protocol Issues. (5 pages)	c. 10/1998	P1/b(1)

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EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES
THE UNITED STATES TRADE REPRESENTATIVE

DATE: 4/12

TOTAL PAGES: 5

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Bernard Correau			482-0947
Bob Baum			647-6540
Malcom Lee			6-9290
Mary Chavez			~~647-6~~
			622-1731

FROM: Gordon Earp

PHONE: 395-9637

CONTACT: IF YOU HAVE ANY PROBLEMS RECEIVING THIS FAX CALL (202)395-5656

SUBJECT: Please provide comments on attached

NOTE: paper to be sent to the OECD Steel Committee by noon on Tuesday, 4/13.

Charlie, can you fill in the numbers?

Following U.S. Submission to the OECD Steel Committee is in response to the Secretariat's February 5 request for information on steel trad policy developments between November 1998 and March 1999 in light of the Chairman's October 1998 statement contained in SG/COM/NEWS(98)106.

The surge of steel imports into the United States peaked in November, and the adverse effects on U.S. industry and workers were most pronounced in the last quarter of 1998, and into the first quarter of 1999. The steel import surge, which was concentrated in the April through November period, had a severely destabilizing effect on U.S. steel producers, traders and workers, all of whom agree that the speed and severity of the market disruption was of unprecedented proportions. The market statement submitted by the United States in preparation for the April Steel Committee meeting reviews import and market developments in 1998. To summarize, the bulk of the disruption occurred between April and November, when monthly imports averaged ? million metric tons (MMT), running some ? percent above traditional levels, and raising import penetration to some ? percent compared to ? percent in 1997. Prices were suppressed some 20 percent, and 11,000 jobs were lost.

The response of the U.S. Administration to this import surge has been outlined in detail in the President's January 7 Report to the Congress and in subsequent testimony to the Congress by USTR and the Department of Commerce, all of which have been available on agency web-sites. The hallmarks of this policy have been:

- a commitment to free trade and to global economic recovery;
- full consistency with United States international obligations;
- full and fair implementation of U.S. trade laws;
- pursuit of unfair trade practices;
- fairness in avoiding a disproportionate impact of the Asian economic crisis on any one U.S. sector; and,
- full transparency.

Under U.S. trade laws, the Department of Commerce acted in an expeditious manner in response to U.S. industry and worker September 30 antidumping petitions concerning carbon flat rolled imports from Japan, Russia and Brazil, and a countervailing duty petition concerning imports of the same product from Brazil. Carbon flat rolled imports have been the single largest cause of the import surge, accounting for ? percent of the 1998 steel import growth. Preliminary AD/CVD margins found in the course of this investigation have been announced. A critical circumstances provision was invoked with respect to imports from Japan and Russia which could result in the application of antidumping duties ninety days prior to the announcement of the preliminary findings. Starting in December, imports of these products have declined substantially. Since then, on February 16, U.S. industry and workers have filed unfair trade petitions concerning one additional product, cut-to-length plate, and investigations are underway concerning imports of this product from six countries.

U.S. industry and workers have also requested a safeguards investigation of wire rod imports. The investigation and public hearings are now being conducted by the U.S.

International Trade Commission, and an injury decision is anticipated in mid May.

Second, at the request of the Russian government, the United States agreed to negotiate quota agreements on steel imports from Russia. Two agreements have been initialed and published for formal public comment. Comments received are now under review, and these agreements have not yet been signed.

The Administration has also called on U.S. trading partners to trade fairly and responsibly. Specifically, we have entered into a dialogue with the Government of Korea aimed at reducing the Korean government's support for its steel industry. The United States strongly supports and has encouraged full implementation of the Korean government's decision to privatize POSCO.

The Administration has also expressed strong support for an effective, WTO-consistent safeguards mechanism, but has resisted calls on the Administration to self-initiate a steel safeguards investigation. Instead, the Administration has affirmed its commitment to closely review import trends and to continue to assess the effectiveness of steps taken to date, and to work closely with the industry, labor, and members of Congress, to assess whether additional steps are needed and appropriate. To assist in this ongoing review, the Administration is making publicly available preliminary steel import data. These preliminary import statistics are available about a month earlier than the normally released final import statistics, and are extremely helpful to both industry and government in assessing import trends.

As a result of the steel import crisis, members of U.S. Congress have proposed a number of bills which would amend U.S. trade law or impose import restrictions. The Administration has formally expressed its strong opposition to any legislated mandates for a roll back of steel imports, based on the fact that this approach would be contrary to the U.S. economic interest and to U.S. international obligations. In addition to playing a leadership role in various international programs aimed at reviving the international economy, by sticking to international trading rules in this time of crisis, the Administration is doing its share to forestall a protectionist response to the global economic crisis.

OCDE
ORGANISATION DE COOPÉRATION ET
DE DÉVELOPPEMENT ÉCONOMIQUES

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CO-OPERATION AND DEVELOPMENT

DIRECTION DE LA SCIENCE, DE LA TECHNOLOGIE, ET DE L'INDUSTRIE
DIRECTORATE FOR SCIENCE, TECHNOLOGY, AND INDUSTRY

Division des Transports
Division of Transport

Le Chef de Division
The Head of Division

STI/DOT/99.29

Paris, 5 February 1999

Dear Delegate,

The Steel Committee, at its meeting held on 4-5 November 1998, endorsed a statement made by the Chairman, Ambassador Hans Colliander, on "The Strengthening of an Open and Global Steel Trading System". This statement stresses that the governments of countries participating in the Steel Committee will work closely together in this forum to:

- monitor the effects of the crisis in steel trade and engage in dialogue with a view to keeping trade as unrestricted and as free of distortions as possible;
- improve transparency on their policies; and
- intensify co-operation and policy dialogue with key non-members.

In the meantime, the situation in international steel trade remained critical and steel trade issues figured prominently on the trade policy agendas of many governments. It will be interesting to see how steel trade policies develop in light of the Chairman's statement.

For this purpose, the Secretariat invites you to report on recent developments in the steel trade policies of your country. Reports should cover the period from November 1998 to March 1999 and should focus on:

- information on agreements and/or commitments concerning steel trade;
- trade actions in the field of steel imports; and
- any measures related to the promotion of steel exports.

The Secretariat would appreciate receiving your report by **9 April 1999**, at the latest. However, delegations will be given the opportunity to report on more recent developments in steel trade policies at the April meeting of the Committee where it is envisaged that a *tour de table* will take place.

Yours sincerely,

signed electronically

Wolfgang Hübner

Enclosure: SG/COM/NEWS(98)106

2, rue André Pascal 75775 PARIS CEDEX 16 Tél. : 01 45 24 82 00 Ligne directe/ Direct line : (33 1) 45 24 91 32

THE CHAIRMAN OF THE STEEL COMMITTEE OF THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

1. Taking note of the deliberations of the Committee related to the situation on steel markets and in international steel trade, and to recent policy developments in Member and non-Member countries affecting the steel industry;

2. Stressing that the widening gap between steel production and demand -- largely caused by the financial and economic crises which originated in South East Asia and is now also apparent in NIS and other countries -- has led to additional excess supply and a marked deterioration of steel markets in many parts of the world;

3. Highlighting the strong and accelerating fall in prices for key steel products on major markets below a level that is deemed to cover cost thereby undermining the financial results of producers;

4. Noting that important shifts are taking place in the pattern of international steel trade as a result of these crises, in particular sharply increased exports by countries that are directly or indirectly affected and an exceptional surge in imports into North and South American and European Union markets, and recognising the damage such an import surge can have on the functioning of steel markets;

5. Recalling that Members of the Steel Committee are committed to ensure that trade in steel remains as unrestricted and free of distortions as possible, and that restrictive actions should be avoided:

6. STRESSES that in this critical situation for the international trade in steel, producers and governments in all regions of the world share a common interest in acting responsibly in order to avoid an escalation of trade conflicts and to maintain the benefits of liberalisation that were achieved, *inter alia,* during the Uruguay Round.

7. URGES producers and governments in steel-exporting countries to promptly take responsibility in ensuring fair trading practices and respecting established international rules.

8. URGES producers and governments in steel-importing countries to refrain from disproportionate or hasty responses to the pressures on their markets and, when trade defence actions are inevitable, to ensure that these are consistent with WTO rules and are limited in their scope and duration.

9. WARNS that the steel trade is one of the first sectors to experience serious disturbance stemming from the financial and economic crises, but that other sectors are also affected. Steel producers and especially governments in all regions of the world should, therefore, be aware that their response to the problems facing steel could signal a precedent for other sectors in the economy.

10. ANNOUNCES that the Governments of countries participating in the Steel Committee will work closely together in this forum to:

- monitor the effects of the crisis in steel trade and to engage in dialogue with a view to keeping trade as unrestricted and free of distortion as possible;
- improve transparency on their trade policies; and
- intensify co-operation and policy dialogue with key non-Members.

TESTIMONY ON U.S. TRADE POLICY IN CHINA

Ambassador Charlene Barshefsky
U.S. Trade Representative

Senate Committee on Finance
Washington, DC

April 13, 1999

Mr. Chairman, Senator Moynihan, Members of the Finance Committee, thank you for inviting us to review with you the status of our trade policy with China today.

The past weeks have been eventful ones for this relationship. Our negotiations since the beginning of this year have been highly productive in all the major areas of American trade concern: agriculture, industrial goods, services and rules. China has made very significant commitments across the range of sectors and issues of concern to us, but a number of important issues remain to be resolved.

President Clinton and Premier Zhu have stated their goal of continuing negotiations to try to resolve the outstanding issues. We have, for six years, pursued these negotiations in a methodical manner, insisting at every juncture that accession must be on commercially meaningful terms. We have come far but are not there yet. This is the right approach for America's business, agriculture and workers. Now is not the time to depart from this careful, substantive approach and allow arbitrary deadlines to influence our negotiating position.

Our work has involved negotiations on a very large number of issues. Today I will review our progress so far. But let me begin with some more general comments about the place of China's accession to the WTO in our Pacific strategy and our national trade interest. I will then move on to review the specific commitments China has made, and to your questions and concerns about the work we have done and that which lies ahead.

TRADE IN AMERICAN CHINA POLICY

Fundamentally, we have worked toward China's integration into the global rules-based trading system, because as a Pacific nation we have a vital interest in a peaceful, stable and prosperous Asia-Pacific region.

To secure this interest we maintain 100,000 troops in Asia, and we maintain strong alliances with Japan and other Asian democracies. We vigorously promote human rights, democratic principles and the rule of law throughout the region. And we engage China -- Asia's largest nation and fastest-growing economy -- to address our differences and find common ground wherever possible.

This includes a wide range of issues, from cooperation in regional security issues like the Korean peninsula to control over weapons proliferation, advocacy of human rights improvements at the UN Human Rights Commission and in our bilateral relationship, promoting labor rights, addressing climate change and other environmental questions, narcotics and crime control, and other issues as well. And a fundamental part of this policy, as a matter of commercial interest and as a complement to our strategic and security policies, is support for the economic integration of China into the Asia-Pacific region and the world economy.

China's economic isolation during the Cold War was vastly damaging to both China and to the Pacific region. For nearly forty years, China's economy was almost entirely divorced from the outside world. The consequent loss of foreign markets and investment impoverished China at home, and meant that Asia's largest nation had little stake in prosperity and stability -- in fact, saw advantage in warfare and revolution -- beyond its borders. Every Pacific nation felt the consequences not only in economics and trade but in peace and security.

Our effort to undo this isolation -- a bipartisan, patient effort continuing over the nearly thirty years since President Nixon's visit to China in 1972 -- has included the lifting of the U.S. economic embargo in the mid-1970s; our initial Commercial Agreement and mutual grant of normal trade relations in 1979 and 1980; the consistent renewal of normal trade relations for the past 20 years; and the market access, textile and intellectual property agreements we have negotiated in the 1990s. All of these trade policies have had multiple goals: the creation of opportunity for American businesses, working people and agricultural producers; the guarantee of fair trade principles; the advance of the rule of law, and the strengthening of China's own stake in the stability and prosperity of its neighbors.

And this policy has succeeded over the years. It has increased China's contacts with the outside world, bringing new ideas and opportunities to its people and giving China greater common interests with its Asian neighbors and with us. China's constructive approach to the Asian financial crisis may well be at least a partial consequence of this policy.

U.S.-CHINA TRADE RELATIONS TODAY

But at the same time, the progress has been slow. China remains a country characterized by high trade barriers and numerous unfair trade practices -- which create inefficiencies within the Chinese economy; slow the process of integration; and cause frustration and sometimes injury to American farmers, worker, and businesses.

China's formal and informal trade barriers remain high. Its agricultural standards are based on bureaucratic fiat rather than science. Key service sectors like distribution, finance and telecommunications remain closed, depriving China of the jobs, efficiency and innovation competition could bring to the domestic economy. And the rule of law -- as Hong Kong Chief Secretary Anson Chan said last summer, the "infrastructure which enables enterprise to flourish" in any economy -- is undeveloped.

Thus, China remains insecurely integrated, and only opportunistically so, with the world outside; and its economy faces severe challenges which, over time, more open trade could help to solve. Likewise, China's neighbors remain blocked from an economy which -- like Japan's -- could be an engine of growth in the present financial crisis and in the future. One index of this is our trade deficit with China, now over $1 billion per week. Another is that between the opening of Normal Trade Relations (formerly MFN status) in 1980 and 1997, our exports to China grew only $9 billion -- barely half of our $16 billion in export growth to Taiwan, and less than a quarter of our $39 billion in export growth to the ASEAN nations.

WTO accession allows us to address the policy issues at the root of these problems in a comprehensive way. As it does so, it also is an opportunity to advance our broader interests and values beyond trade:

- As a matter of trade policy, a sound agreement will open Chinese markets to our exports, and give American domestic industries stronger protection against unfair trade practices.

- As a matter of strategy, WTO membership will complement our efforts to maintain peace and stability in the Pacific by linking China's economy more closely with the world's, creating constituencies within China for stability beyond its borders.

- And as a matter of values, WTO principles – transparency, fair and impartial judicial practices, peaceful settlement of disputes, the rule of law – are those we hope to advance in China and worldwide.

To win these benefits, an agreement on WTO accession must be commercially meaningful, addressing our major concerns in a detailed, enforceable and rapid way. This is also true for China -- a weak, "political" agreement would not yield the full potential for economic efficiency and growth in China. Thus, we are committed to a commercially meaningful accession; but while we have not yet reached agreement on such a package, in the past months we have made significant progress toward the goal.

PROGRESS THUS FAR

We have reached consensus with China on a broad range of market access commitments covering each major sector: agricultural products, manufactured goods, and services. And we have reached consensus with China on some of the most important and difficult Protocol issues, including safeguards against import surges, guarantees for our right to use appropriate non-market economy methodology in dumping cases, and protection against abusive investment policies like forced technology transfer and offset requirements. Talks will continue on a range of important market access and Protocol issues, however -- including many that must be addressed multilaterally -- and until they are each concluded on an acceptable basis, we will not be in a position to conclude the WTO accession. These include banking, securities, consumer auto finance, and the duration of rules regarding dumping and safeguards.

Let me now review the progress we have made thus far in agriculture, industrial goods, services and rules.

OUTLINES OF COMMITMENTS THUS FAR

On market access, we have a broad set of Chinese commitments covering most of our concerns. This set of commitments has four features:

- First, it is broad. It covers agriculture, industrial goods and services; and unfair trade practices including quotas, other non-tariff measures, application of non-scientific agricultural standards, discriminatory regulatory processes, lack of transparency, export subsidies and other barriers to trade. It will address tariffs and other barriers at the border; limits on trading rights and distribution within the Chinese market; unjustified sanitary and phytosanitary standards; and restrictions on services.

- Second, it grants no special favors. It requires China to reduce its trade barriers to levels comparable to those of major trade partners, including some industrial countries.

- Third, it is fully enforceable. The commitments China has made in all areas are specific, and enforceable through our trade laws and WTO dispute settlement and other special mechanisms, including some of the protocol issues.

- Fourth, its results will be rapid. The agreements on sanitary and phytosanitary standards concerning TCK wheat, citrus and meat took effect immediately on their signature last Saturday, lifting import bans of long duration. On accession to the WTO, China will begin opening its market from day one, in virtually every area. The phase-in of further broad concessions in all these areas will be limited to five years in almost all cases; in many instances the transition time ranges from one to three years.

Some examples of the progress thus far include:

1. Agriculture

In agriculture, China will make substantial reductions in tariffs both on accession to the WTO and over time, adopt liberal tariff-rate quotas in bulk commodities of special importance to American farmers, apply science-based sanitary and phytosanitary standards including in grains, meats and fruits, and eliminate export subsidies. Notable achievements here include:

Sanitary & Phytosanitary Standards – China will apply sanitary and phytosanitary standards based on science, eliminating its bans on American meats, citrus fruit and Pacific northwest wheat. In citrus, the industry estimates that this can mean up to $700 million in new exports, when coupled with China's market access commitments on accession and later.

Tariffs – China's agricultural tariffs will decline to 14.5% for our priority items. All cuts will occur within a maximum four-year time-frame; by contrast, WTO developing countries received ten years. Results in some top priorities include tariff cuts from 45% to 12% in beef; 40% to 12% in citrus; 30% to 10% in apples; 50% to 12% in cheese; and 65% to 20% in wine. And all tariff cuts will be bound at applied levels – that is, unlike many of our trading partners, China will not have a right to raise tariffs beyond these levels once it enters the WTO.

TRQs – China will liberalize its purchase of bulk agricultural commodities like wheat, corn, soybeans, rice, cotton and so on. It will adopt tariff-rate quotas – that is, very low tariffs on a set volume of commodities – in these bulk commodities. The wheat TRQ, for example, begins at 7.3 million tons and rises to 9.3 million tons by 2004. (Present import levels are below 2 million metric tons.) In all these TRQs, private traders will be guaranteed a share of the TRQ and a right to use unused portions of the share given to state trading companies. This will help establish legitimate private-sector trade in China.

Export Subsidies – China will not provide agricultural export subsidies. This is an important achievement in its own right, and a major step toward our goal of totally eliminating export subsidies in the next WTO Round.

2. Industrial Goods

In industrial goods, China will cut tariffs and bind them at the new, lower levels; make the deepest cuts in the areas of highest priority to the U.S.; allow American firms to import, export and distribute their products freely in China; and eliminate quotas and other numerical restrictions. Specific achievements in industrial goods include:

Trading Rights and Distribution – China will grant American companies, over a three-year phase-in period, rights to import and export products without Chinese middlemen, and to market, wholesale, retail, repair and transport their products -- whether produced in China or imported. Companies which set up business in China will also be able to import the goods they choose from the United States. Even for China's most protected sectors, such as fertilizer, China will grant full trading rights and distribution rights in five years.

Tariffs – China will make substantial tariff cuts on accession and further cuts phased in, two thirds of which will be completed in three years and virtually all of which will be completed within five years. On U.S. priority items, tariffs will drop on average to 7.1% -- a figure comparable to those of most major U.S. trading partners. As in agriculture, China will bind tariffs at these levels. Some specific examples include:

Information Technology Agreement – China will participate in the Information

Technology Agreement (ITA), eliminating all tariffs on such information technology products as semiconductors, telecommunications equipment, computer and computer equipment and other items connected to the information superhighway by 2003 in most cases and 2005 in a few others. This places China on the same footing as other ITA participants, who are required to phase out all tariffs in these sectors by 2005.

Autos – China will reduce tariffs on autos from 80%-100% today to 25%, and on most auto parts to 10%. This will be done by 2005.

Wood and Paper Products – China will reduce high tariffs on wood and paper to levels generally between 5% and 7.5%.

Chemicals – China will commit to the vast bulk of chemical harmonizations, reducing tariffs from present rates between 10%-35% to 5% to 6.5% in most cases. In other high-tariff items, China will cut tariffs significantly as well.

APEC -- China has agreed to implement the early voluntary sectoral liberalization initiative of APEC now under consideration in the WTO, when consensus is achieved. This would eliminate tariffs on forest products, environmental goods and services, energy and energy equipment, fish, toys, gems and jewelry, medical equipment and scientific instruments, and also includes chemical harmonization.

Non-Tariff Barriers – China will eliminate all quotas and other quantitative measures on accession for top U.S. priorities such as certain fertilizers and fiber-optic cable, by 2005 in all cases and by 2002 in most cases. In autos, China has committed to an initial quota of $6 billion – well above our current exports and the highest level of exports achieved in the past, and thus large enough that it will pose no restriction on trade. That quota will grow by 15% each year and will be eliminated entirely in 2005.

3. Services

In services, while discussions continue on audiovisual, banking and securities, China has agreed to broad-ranging commitments such as:

Grandfathering – China will guarantee to protect the existing rights and market access of all service providers operating in China.

Insurance – China will end restrictions on large-scale risk insurance throughout China immediately, grant licenses solely on prudential criteria, phase out restrictions on internal branching and remove restrictions on majority control or joint ventures, gradually eliminate geographical and numerical limits on licenses, and take several other measures.

Telecommunications – China will join the Basic Telecommunications Agreement, implementing regulatory principles including interconnection rights and regulatory rules. It will end geographic restrictions for paging and value-added services within four years, mobile and cellular within five years; and domestic wireline and closed user groups in six. It will also end its ban on foreign direct investment in telecommunications services, phasing in 49% foreign equity in all services in six years and 51% foreign ownership for value-added and paging services in four.

Audiovisual – Here, China will allow 49% foreign equity for the distribution of video and sound recordings, majority ownership in three years for construction, and ownership and operation of cinemas. We continue to discuss several issues here as well.

Distribution – China will remove all restrictions on wholesaling, retailing, maintenance and repair, and transportation within three years, along with restrictions on auxiliary services including express delivery, air courier, rental and leasing, storage and warehousing, advertising and others. This is of immense importance in its own right and as a step that will enable our exporters to do business more easily in China.

Also covered, of course, is a broad range of other services – architecture, engineering, legal, travel and tourism, computer and business services, environmental services, franchising and direct sales, and many more.

4. Protocol

Let me now turn to the Protocol issues. Some of these are completed; on others we will need work, including as part of the WTO process involving a large number of other countries. China has already made significant commitments in a number of major areas of concern, but significant issues remain outstanding. Commitments include:

- Product-specific safeguard provisions to ensure effective action in case of import surges.

- Guarantees that we will continue to use our current "non-market economy" methodology in anti-dumping cases.

- Commitments to eliminate requirements that companies export what they make in China or use Chinese parts or other products when they manufacture there. Our companies will not have to agree to offsets to invest in China or to receive permission to import U.S. goods.

- A ban on requirements for technology transfer for U.S. companies to invest in China.

- Guarantees that state trading companies and state-invested enterprises operate solely on commercial terms, and specification that purchases by these companies are not government procurements and are thus not subject to any special or different rules.

The important question of the duration of several of these special provisions remains open, and we continue to discuss other issues as well.

WTO ACCESSION AND OTHER AMERICAN PRIORITIES

Any final accession package must be judged primarily on its value to working people, businesses and agricultural producers. It is not a substitute for a vigorous and effective policy in other areas of our relationship with China, and is not intended to be such. When completed and when enforced, however, it will complement our work in such areas as human rights and security policy, helping us build a peaceful, prosperous and open Pacific region; and to advance fundamental American principles of freedom, transparency, accountable government and the rule of law.

Thus, as I welcome scrutiny of the trade policy details of the WTO accession, I also hope that Americans will think about them in the larger context of Pacific security and American values. And I would like to take the remainder of this time to speak to those questions.

1. Pacific Security

First of all, with respect to security, as ultimate WTO membership helps integrate China more fully in the Pacific and world economies, it will ensure that China's stake in its neighbors' stability and prosperity continues to grow.

This trend began with the economic opening of China in the late 1970s and early 1980s. Its results are clear in the contrast between the revolutionary foreign policy China pursued in the 1960s and early 1970s, when it sought the overthrow of neighboring governments; and the approach China has taken to the Asian financial crisis today, when it has sought to help stabilize their economies through contributions to IMF recovery packages and its own currency stability policies.

WTO accession, by reducing Chinese barriers to trade and investment and providing enforceable means of keeping them lowered, will deepen and accelerate this process of integration. Thus, this is in no sense a substitute for the U.S. military commitments, security treaties and other policies designed to ensure peace and security in the Pacific; but it will complement them in our larger search for a peaceful, stable and open Asia-Pacific region.

The WTO Accession and American Values

And as in the case of security, the WTO accession will complement and support efforts to advance the cause of human rights.

WTO membership, in its largest sense, represents adherence to a set of accepted international rules. They include the development and publication of laws and regulations;

consistency in decision making; recourse to law enforcement and judicial proceedings; curbs on the arbitrary exercise of bureaucratic discretion. And these concepts in turn rest upon universal values and ideals including transparency, public and enforceable commitments, and openness to the outside world.

The WTO accession thus will accelerate the trend toward development of the rule of law within China. It thus complements the work our colleagues in other agencies are doing in advocacy for political prisoners, activity at the UN Human Rights Commission and engagement with China's top leadership on human rights issues in the Administration's efforts to bring China closer to conformity with international standards of human rights.

CONCLUSION

In summary, over the past months we have made very significant progress on this work.

We have attempted to address the principal concerns of American agriculture, manufacturing, and service industries. And we have enhanced the work on rules.

If this progress continues, we will ultimately reach a result that creates a fundamentally fairer trade relationship. And at the same time, we will contribute to our larger goals of a Pacific region more stable and peaceful than it is today; and to the advance of universal values worldwide. This is a process which is in the American national interest.

Let me conclude, though, by saying once more that the work is not yet done. WTO accession will come only on completion of a commercially meaningful agreement; and that means each part of a commercially meaningful agreement, including the market access commitments and the Protocol issues, which are central. In the weeks ahead, we will consult with the Committee and other Members of Congress to make sure that our work meets your concerns.

Thank you very much. And now I will take your questions.

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This includes a wide range of issues, from cooperation in regional security issues like the Korean peninsula to control over weapons proliferation, advocacy of human rights improvements at the UN Human Rights Commission and in our bilateral relationship, promoting labor rights, addressing climate change and other environmental questions, narcotics and crime control, and other issues as well. And a fundamental part of this policy, as a matter of commercial interest and as a complement to our strategic and security policies, is support for the economic integration of China into the Asia-Pacific region and the world economy.

China's economic isolation during the Cold War was vastly damaging to both China and to the Pacific region. For nearly forty years, China's economy was almost entirely divorced from the outside world. The consequent loss of foreign markets and investment impoverished China at home, and meant that Asia's largest nation had little stake in prosperity and stability -- in fact, saw advantage in warfare and revolution -- beyond its borders. Every Pacific nation felt the consequences not only in economics and trade but in peace and security.

Our effort to undo this isolation -- a bipartisan, patient effort continuing over the nearly thirty years since President Nixon's visit to China in 1972 -- has included the lifting of the U.S. economic embargo in the mid-1970s; our initial Commercial Agreement and mutual grant of normal trade relations in 1979 and 1980; the consistent renewal of normal trade relations for the past 20 years; and the market access, textile and intellectual property agreements we have negotiated in the 1990s. All of these trade policies have had multiple goals: the creation of opportunity for American businesses, working people and agricultural producers; the guarantee of fair trade principles; the advance of the rule of law, and the strengthening of China's own stake in the stability and prosperity of its neighbors.

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U.S.-CHINA TRADE RELATIONS TODAY

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Thus, China remains insecurely integrated, and only opportunistically so, with the world outside; and its economy faces severe challenges which, over time, more open trade could help to solve. Likewise, China's neighbors remain blocked from an economy which -- like Japan's -- could be an engine of growth in the present financial crisis and in the future. One index of this is our trade deficit with China, now over $1 billion per week. Another is that between the opening of Normal Trade Relations (formerly MFN status) in 1980 and 1997, our exports to China grew only $9 billion -- barely half of our $16 billion in export growth to Taiwan, and less than a quarter of our $39 billion in export growth to the ASEAN nations.

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- As a matter of trade policy, a sound agreement will open Chinese markets to our exports, and give American domestic industries stronger protection against unfair trade practices.

- As a matter of strategy, WTO membership will complement our efforts to maintain peace and stability in the Pacific by linking China's economy more closely with the world's, creating constituencies within China for stability beyond its borders.

- And as a matter of values, WTO principles – transparency, fair and impartial judicial practices, peaceful settlement of disputes, the rule of law – are those we hope to advance in China and worldwide.

To win these benefits, an agreement on WTO accession must be commercially meaningful, addressing our major concerns in a detailed, enforceable and rapid way. This is also true for China -- a weak, "political" agreement would not yield the full potential for economic efficiency and growth in China. Thus, we are committed to a commercially meaningful accession; but while we have not yet reached agreement on such a package, in the past months we have made significant progress toward the goal.

PROGRESS THUS FAR

We have reached consensus with China on a broad range of market access commitments covering each major sector: agricultural products, manufactured goods, and services. And we have reached consensus with China on some of the most important and difficult Protocol issues, including safeguards against import surges, guarantees for our right to use appropriate non-market economy methodology in dumping cases, and protection against abusive investment policies like forced technology transfer and offset requirements. Talks will continue on a range of important market access and Protocol issues, however -- including many that must be addressed multilaterally -- and until they are each concluded on an acceptable basis, we will not be in a position to conclude the WTO accession. These include banking, securities, consumer auto finance, and the duration of rules regarding dumping and safeguards.

Let me now review the progress we have made thus far in agriculture, industrial goods, services and rules.

OUTLINES OF COMMITMENTS THUS FAR

On market access, we have a broad set of Chinese commitments covering most of our concerns. This set of commitments has four features:

- First, it is broad. It covers agriculture, industrial goods and services; and unfair trade practices including quotas, other non-tariff measures, application of non-scientific agricultural standards, discriminatory regulatory processes, lack of transparency, export subsidies and other barriers to trade. It will address tariffs and other barriers at the border; limits on trading rights and distribution within the Chinese market; unjustified sanitary and phytosanitary standards; and restrictions on services.

- Second, it grants no special favors. It requires China to reduce its trade barriers to levels comparable to those of major trade partners, including some industrial countries.

- Third, it is fully enforceable. The commitments China has made in all areas are specific, and enforceable through our trade laws and WTO dispute settlement and other special mechanisms, including some of the protocol issues.

- Fourth, its results will be rapid. The agreements on sanitary and phytosanitary standards concerning TCK wheat, citrus and meat took effect immediately on their signature last Saturday, lifting import bans of long duration. On accession to the WTO, China will begin opening its market from day one, in virtually every area. The phase-in of further broad concessions in all these areas will be limited to five years in almost all cases; in many instances the transition time ranges from one to three years.

Some examples of the progress thus far include:

1. Agriculture

In agriculture, China will make substantial reductions in tariffs both on accession to the WTO and over time, adopt liberal tariff-rate quotas in bulk commodities of special importance to American farmers, apply science-based sanitary and phytosanitary standards including in grains, meats and fruits, and eliminate export subsidies. Notable achievements here include:

Sanitary & Phytosanitary Standards – China will apply sanitary and phytosanitary standards based on science, eliminating its bans on American meats, citrus fruit and Pacific northwest wheat. In citrus, the industry estimates that this can mean up to $700 million in new exports, when coupled with China's market access commitments on accession and later.

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TRQs – China will liberalize its purchase of bulk agricultural commodities like wheat, corn, soybeans, rice, cotton and so on. It will adopt tariff-rate quotas – that is, very low tariffs on a set volume of commodities – in these bulk commodities. The wheat TRQ, for example, begins at 7.3 million tons and rises to 9.3 million tons by 2004. (Present import levels are below 2 million metric tons.) In all these TRQs, private traders will be guaranteed a share of the TRQ and a right to use unused portions of the share given to state trading companies. This will help establish legitimate private-sector trade in China.

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In industrial goods, China will cut tariffs and bind them at the new, lower levels; make the deepest cuts in the areas of highest priority to the U.S.; allow American firms to import, export and distribute their products freely in China; and eliminate quotas and other numerical restrictions. Specific achievements in industrial goods include:

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Autos – China will reduce tariffs on autos from 80%-100% today to 25%, and on most auto parts to 10%. This will be done by 2005.

Wood and Paper Products – China will reduce high tariffs on wood and paper to levels generally between 5% and 7.5%.

Chemicals – China will commit to the vast bulk of chemical harmonizations, reducing tariffs from present rates between 10%-35% to 5% to 6.5% in most cases. In other high-tariff items, China will cut tariffs significantly as well.

APEC -- China has agreed to implement the early voluntary sectoral liberalization initiative of APEC now under consideration in the WTO, when consensus is achieved. This would eliminate tariffs on forest products, environmental goods and services, energy and energy equipment, fish, toys, gems and jewelry, medical equipment and scientific instruments, and also includes chemical harmonization.

Non-Tariff Barriers – China will eliminate all quotas and other quantitative measures on accession for top U.S. priorities such as certain fertilizers and fiber-optic cable, by 2005 in all cases and by 2002 in most cases. In autos, China has committed to an initial quota of $6 billion – well above our current exports and the highest level of exports achieved in the past, and thus large enough that it will pose no restriction on trade. That quota will grow by 15% each year and will be eliminated entirely in 2005.

3. Services

In services, while discussions continue on audiovisual, banking and securities, China has agreed to broad-ranging commitments such as:

Grandfathering – China will guarantee to protect the existing rights and market access of all service providers operating in China.

Insurance – China will end restrictions on large-scale risk insurance throughout China immediately, grant licenses solely on prudential criteria, phase out restrictions on internal branching and remove restrictions on majority control or joint ventures, gradually eliminate geographical and numerical limits on licenses, and take several other measures.

Telecommunications – China will join the Basic Telecommunications Agreement, implementing regulatory principles including interconnection rights and regulatory rules. It will end geographic restrictions for paging and value-added services within four years, mobile and cellular within five years; and domestic wireline and closed user groups in six. It will also end its ban on foreign direct investment in telecommunications services, phasing in 49% foreign equity in all services in six years and 51% foreign ownership for value-added and paging services in four.

Audiovisual – Here, China will allow 49% foreign equity for the distribution of video and sound recordings, majority ownership in three years for construction, and ownership and operation of cinemas. We continue to discuss several issues here as well.

Distribution – China will remove all restrictions on wholesaling, retailing, maintenance and repair, and transportation within three years, along with restrictions on auxiliary services including express delivery, air courier, rental and leasing, storage and warehousing, advertising and others. This is of immense importance in its own right and as a step that will enable our exporters to do business more easily in China.

Also covered, of course, is a broad range of other services – architecture, engineering, legal, travel and tourism, computer and business services, environmental services, franchising and direct sales, and many more.

4. Protocol

Let me now turn to the Protocol issues. Some of these are completed; on others we will need work, including as part of the WTO process involving a large number of other countries. China has already made significant commitments in a number of major areas of concern, but significant issues remain outstanding. Commitments include:

- Product-specific safeguard provisions to ensure effective action in case of import surges.

- Guarantees that we will continue to use our current "non-market economy" methodology in anti-dumping cases.

- Commitments to eliminate requirements that companies export what they make in China or use Chinese parts or other products when they manufacture there. Our companies will not have to agree to offsets to invest in China or to receive permission to import U.S. goods.

- A ban on requirements for technology transfer for U.S. companies to invest in China.

- Guarantees that state trading companies and state-invested enterprises operate solely on commercial terms, and specification that purchases by these companies are not government procurements and are thus not subject to any special or different rules.

The important question of the duration of several of these special provisions remains open, and we continue to discuss other issues as well.

WTO ACCESSION AND OTHER AMERICAN PRIORITIES

Any final accession package must be judged primarily on its value to working people, businesses and agricultural producers. It is not a substitute for a vigorous and effective policy in other areas of our relationship with China, and is not intended to be such. When completed and when enforced, however, it will complement our work in such areas as human rights and security policy, helping us build a peaceful, prosperous and open Pacific region; and to advance fundamental American principles of freedom, transparency, accountable government and the rule of law.

Thus, as I welcome scrutiny of the trade policy details of the WTO accession, I also hope that Americans will think about them in the larger context of Pacific security and American values. And I would like to take the remainder of this time to speak to those questions.

1. Pacific Security

First of all, with respect to security, as ultimate WTO membership helps integrate China more fully in the Pacific and world economies, it will ensure that China's stake in its neighbors' stability and prosperity continues to grow.

This trend began with the economic opening of China in the late 1970s and early 1980s. Its results are clear in the contrast between the revolutionary foreign policy China pursued in the 1960s and early 1970s, when it sought the overthrow of neighboring governments; and the approach China has taken to the Asian financial crisis today, when it has sought to help stabilize their economies through contributions to IMF recovery packages and its own currency stability policies.

WTO accession, by reducing Chinese barriers to trade and investment and providing enforceable means of keeping them lowered, will deepen and accelerate this process of integration. Thus, this is in no sense a substitute for the U.S. military commitments, security treaties and other policies designed to ensure peace and security in the Pacific; but it will complement them in our larger search for a peaceful, stable and open Asia-Pacific region.

The WTO Accession and American Values

And as in the case of security, the WTO accession will complement and support efforts to advance the cause of human rights.

WTO membership, in its largest sense, represents adherence to a set of accepted international rules. They include the development and publication of laws and regulations;

consistency in decision making; recourse to law enforcement and judicial proceedings; curbs on the arbitrary exercise of bureaucratic discretion. And these concepts in turn rest upon universal values and ideals including transparency, public and enforceable commitments, and openness to the outside world.

The WTO accession thus will accelerate the trend toward development of the rule of law within China. It thus complements the work our colleagues in other agencies are doing in advocacy for political prisoners, activity at the UN Human Rights Commission and engagement with China's top leadership on human rights issues in the Administration's efforts to bring China closer to conformity with international standards of human rights.

CONCLUSION

In summary, over the past months we have made very significant progress on this work.

We have attempted to address the principal concerns of American agriculture, manufacturing, and service industries. And we have enhanced the work on rules.

If this progress continues, we will ultimately reach a result that creates a fundamentally fairer trade relationship. And at the same time, we will contribute to our larger goals of a Pacific region more stable and peaceful than it is today; and to the advance of universal values worldwide. This is a process which is in the American national interest.

Let me conclude, though, by saying once more that the work is not yet done. WTO accession will come only on completion of a commercially meaningful agreement; and that means each part of a commercially meaningful agreement, including the market access commitments and the Protocol issues, which are central. In the weeks ahead, we will consult with the Committee and other Members of Congress to make sure that our work meets your concerns.

Thank you very much. And now I will take your questions.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
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FOR IMMEDIATE RELEASE
APRIL 10, 1999

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U.S. - CHINA SIGN BILATERAL AGRICULTURE AGREEMENT

United States Trade Representative Charlene Barshefsky welcomed the successful conclusion of the Agreement on U.S.-China Agricultural Cooperation, lifting long-standing prohibitions on the export of U.S. citrus, grain, beef and poultry to China. Together with Chinese Minister for Foreign Trade and Economic Cooperation Shi Guangsheng, Ambassador Barshefsky today signed this unprecedented agreement.

Ambassador Barshefsky stated, "This agreement removes unfair trade barriers to U.S. wheat, meat, citrus and poultry and signifies a new era in our bilateral agricultural relationship, one that is based on sound science and the mutual benefits of open markets. U.S. farmers, ranchers, and consumers will benefit substantially from this agreement."

Secretary Glickman stated, "This agreement is a fundamental breakthrough for American agriculture. Over the years we estimate that Chinese trade restrictions have cost America's competitive producers billions of dollars in sales. China's agreement to lift these longstanding and contentious barriers to our grain, citrus, and meat could have significant benefits in terms of greatly expanded exports of these products to the vast market."

With this agreement, the United States and China will launch an agricultural partnership for the 21st century. The Agreement highlights our core objectives: resolving trade barriers, increasing technical cooperation and scientific exchanges, and further developing our agricultural sectors. The agreement is expected to dramatically increase U.S. exports to China as well as to increase the cooperation between the U.S. and China in biotechnology, aquaculture, and other technical areas of assistance.

Background:
The Agreement includes lifting the ban on the export of citrus from Arizona, California, Florida and Texas, allowing the U.S. to develop legitimate commercial channels for U.S. citrus exports to China, which will reduce risk and permit exporters to market their product legally. Removal

of the phytosanitary restrictions will translate into a direct increase in exports of U.S. citrus.

China's ban on citrus has been a longstanding irritant in our bilateral relationship. This agreement will allow us to export U.S. citrus based on U.S. national standards. The export program will be phased in over an interim period of two years, in terms of which counties in Florida and California can participate. During this period, the approved counties will be able to ship citrus that is produced in areas that are free of fruit flies and from areas outside of a 20 kilometer zone around fruit fly outbreaks. After two years, fruit from all counties can be shipped based on the U.S. National Program Guidelines.

China has agreed to recognize the U.S. certification system for meat and poultry, a move that will allow U.S. products immediate access to all segments of the Chinese market. Previously, meat and poultry could only be imported by two entities for use in some hotels and restaurants. As with citrus, this agreement will allow exporters to develop legal, commercial relationships for U.S. meat and poultry.

China has banned imports of U.S. wheat and other grains from the Pacific Northwest for over 26 years for scientifically unjustified reasons. In signing this agreement, China has acknowledged that TCK smut does not pose a risk to China's domestic wheat production, and will allow the import of U.S. wheat and other grain that is at or below a specific tolerance for TCK (43,000 spores per 50 grams).

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JOINT U.S. - CHINA STATEMENT
STATUS OF NEGOTIATIONS ON CHINA'S ACCESSION TO THE WORLD TRADE ORGANIZATION
April 8, 1999

On the occasion of the official visit of the Premier of the Government of the People's Republic of China Premier Zhu Rongji, to the United States, President of the United States William Jefferson Clinton and Premier Zhu Rongji jointly affirm that China's admission to the World Trade Organization (WTO) is in the interest of the United States, the People's Republic of China, and the global trading system. To that end, they welcome the significant progress made by the United States and the People's Republic of China toward a strong agreement based on a balance of rights and obligations. Noting that agreement has not been reached on some important issues, they commit to work to resolve these remaining issues through further bilateral negotiations in order to conclude a strong agreement as the basis for the accession of the People's Republic of China to the WTO.

President Clinton and Premier Zhu recognize the complexity of WTO accession negotiations. In this regard, they note that agreement has been reached on market access for agricultural and industrial goods as well as a wide range of services sectors, as set out in Attachment 1, but that certain matters remain to be resolved in banking, including consumer auto finance, as well as securities and audio visual services. They further welcome the conclusion of the Sino-U.S. Agricultural Cooperation Agreement, especially the resolution of bilateral issues concerning imports by the People's Republic of China of U.S. citrus, meat products, and Pacific Northwest wheat, as set out in Attachment 2. President Clinton and Premier Zhu note agreement has been reached on a variety of important rules to be applicable in the WTO, concerning trading rights, technology transfer and offsets, state enterprises, and subsidies, as set out in Attachment 3. However, they recognize that certain differences remain to be resolved on a mechanism to ensure implementation, the duration of provisions governing dumping and product safeguards, and rules governing textiles trade.

President Clinton and Premier Zhu welcome this significant progress and instruct their trade ministers to resume bilateral negotiations in order to satisfactorily resolve the important remaining issues as soon as possible in support of the common goal of admission of the People's Republic of China to the WTO on strong commercial terms in 1999.

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FOR IMMEDIATE RELEASE
APRIL 8, 1999

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Statement of Ambassador Charlene Barshefsky Regarding Broad Market Access Gains Resulting from China WTO Negotiations

United States Trade Representative Charlene Barshefsky announced today that U.S. and Chinese negotiators have secured broad progress toward an expansive market access agreement with China. Additionally, while certain issues remain to be resolved, China has made commitments to adopt rules enforceable in the World Trade Organization (WTO) related to such issues as technology transfer and offsets, subsidies, product safeguards and state enterprises. In addition, China agreed that the U.S. can continue to apply its special antidumping rules to China. Finally, China has agreed immediately to an SPS package that will immediately end its ban of Pacific northwest wheat, U.S. meat and citrus.

Ambassador Barshefsky outlined the importance of progress achieved to date as follows:

"President Clinton and Premier Zhu referred to the complexity of WTO accession negotiations which include far-reaching market access commitments as well as commitments to important rules of commerce. Indeed, the scope of issues involved in these negotiations is unparalleled outside of a multilateral Round. There are more than 5,000 tariff line items and complex interlocking issues from national treatment to distribution rights which we have addressed here to ensure fair treatment and enforceable rights for U.S. goods, services, and agricultural providers. The Leaders noted that we have reached agreement concerning market access for agricultural and industrial goods as well as a wide range of services sectors, but that certain differences remain to be resolved in banking, including auto finance, securities, and audio-visual services.

"We also resolved bilateral issues to ensure U.S. access to the Chinese market for U.S. citrus, meat products, and Pacific Northwest wheat. This is an important and immediate area of progress for our agricultural industries, which we hope will lead to beneficial results in other areas.

"The President and the Premier also referenced agreement on a variety of important rules, including trading rights, technology transfer and offsets, treatment of state enterprises, and subsidies. Both Leaders acknowledged that certain differences remain to be resolved on a mechanism on implementation, the duration of provisions governing dumping and product safeguards, and rules governing textiles trade. We will now focus on resolving remaining issues as soon as possible in support of our common goal of admitting the People's Republic of China to the World Trade Organization on strong commercial terms by the year 2000.

"The market access commitments we are locking-in today include China's full participation in the three global agreements negotiated in the WTO since the Uruguay Round: the Information Technology Agreement (ITA) – where China has committed to eliminate tariffs across the vast range of covered technology products in a three-year timetable; the Basic Telecommunications Services Agreement and the Financial Services Agreement. In addition, China has agreed to participate in the "APEC Sectoral Liberalization Initiative" which is now before the WTO and covers $1.5 trillion in traded goods.

"While much hard work remains to complete China's accession to the WTO, including addressing specific areas which we believe are critical to U.S. interests, these market access terms reflect the Administration's commitment to a comprehensive, far-reaching commercially-meaningful agreement.

"This agreement is commercially-meaningful in four different ways:

- "First, it is comprehensive. It covers agriculture, industrial goods and services. It covers unfair trade practices including tariffs, quotas, other non-tariff measures, non-scientific agricultural standards, discriminatory regulatory processes, lack of transparency, export subsidies and other barriers to trade. It will address the tariffs and other barriers China applies at the border; the limits China places on sales, customer service and maintenance within the domestic market; China's unwarranted sanitary and phytosanitary standards; and limits on the rights of service providers to set up businesses in China.

- "Second, it grants no special favors. It requires China to reduce its trade barriers to levels comparable to those of major trade partners, including industrial countries. For example, Chinese tariffs will fall to an average of 7.1% in our priority areas – well below the rates most developing countries apply and comparable to those of major industrial trade partners.

- "Third, it is enforceable. The commitments China has made in all areas are specific, measurable, and will be fully enforceable.

- "Fourth, it delivers market-based reforms fast. Immediately upon accession, China will make substantial cuts in agricultural and industrial tariffs; begin opening sectors from insurance to telecommunications to professional services to foreign service providers. The phase-in of further broad concessions in all these areas will be limited to five years in the vast majority of cases and in many cases between one and three years.

"If followed by good-faith work by China on the Protocol, textiles trade and other concerns, this agreement will create a far more open, fair, and rules-based Chinese market, advance broader U.S. values of transparency and the rule of law; and serve our long-term strategic interest by anchoring China more firmly, both in the Asia-Pacific and world economies."

Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. email	White House Situation Room to Alexander Arvizu, Holly Hammonds, John Hill, Kenneth Lieberthal et al. Subject: Restarting WTO Talks. (3 pages)	06/29/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (April to August 1999, Post Zhu Visit) [5]

2010-1024-F
vz1837

RESTRICTION CODES

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

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

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

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

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. cable	re: Premier Zhu Rongji's Farewell Dinner for the Ambassador. (9 pages)	06/30/1999	P1/b(1)

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