

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title:

China (April to August 1999, Post Zhu Visit) [12]

Staff Office-Individual:

National Economic Council-Lee, Malcolm

Original OA/ID Number:

CF 1176

Row:	Section:	Shelf:	Position:	Stack:
23	5	5	3	V

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	White House Situation Room to Alexander Arvizu, James Keith, Kenneth Lieberthal et al. Subject: On Hold (4 pages)	05/19/1999	P1/b(1)
002a. letter	To William Clinton from Japanese Prime Minister Keizo Obuchi. [English Translation] (2 pages)	07/15/1999	P1/b(1)
002b. letter	To William Clinton from Japanese Prime Minister Keizo Obuchi. [Japanese] (4 pages)	07/15/1999	P1/b(1)
003. memo	For Tim Hauser from Don Forest. Subject: Under Secretary Aaron's Visit to China. [with marginalia] (1 page)	07/28/1999	P1/b(1)
004. draft	China WTO/NTR (3 pages)	06/1999	P1/b(1)
005. schedule	Notional Schedule for Under Secretary David Aaron's Trip to China. (2 pages)	07/23/1999	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) [12]

2010-1024-F

vz1843

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]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- 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]

R. K. Morris
c/o Samuels International
1133 21st Street, NW (Suite 710)
Washington, DC 20036

Tel: (202) 223-7683

Fax: (202) 223-7687

Email: morr579@ibm.net

May 12, 1999

Mr. Malcolm R. Lee
Senior Director, International Economic Affairs
National Economic Council
The White House
Washington, DC 20504

Dear Mr. Lee:

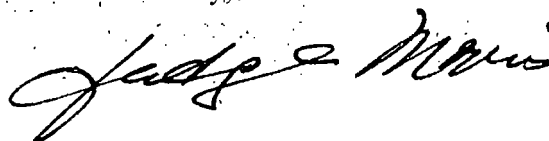
I write at the suggestion of Bruce Wilson, the President of the Washington International Trade Association (WITA), to ask if you would be willing to share yours and the Administration's thinking on the issue of China's WTO application at WITA's policy breakfast next Thursday. This breakfast will be held at the Hotel Washington on Thursday, May 20, from 8 a.m. until 9:30 a.m. As a rule, the actual presentations begin at around 8:15.

If this is something you can do, you would of course be the first speaker. I realize this is a delicate period in U.S.-China relations generally. Still, from press reports it would appear that neither the United States nor China has given up on the WTO negotiations. Whatever the truth may be, it would be extremely helpful for the Washington trade community, which WITA embodies, to hear your assessment of the current situation. Ten minutes or so of comments, together Q&A, would be very helpful and much appreciated.

In one sense, all WTO issues are global, and we thought it would be helpful to hear other perspectives as well. Chris Jackson of the Hong Kong Economic and Trade Office has agreed to participate, and so has the Delegation of the European Commission. The EU, however, has not yet committed to who their speaker will be. I also expect someone to speak on behalf of one of the major U.S. business groups.

Obviously, I hope this is something you can do. In any case, I very much appreciate your consideration of this request and look forward to hearing from you. As indicated above, I can be reached at 202-223-7683. With best wishes,

Yours sincerely,



THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 13, 1999

JOINT U.S. - CHINA STATEMENT

President Clinton and Premier Zhu spoke this afternoon on the telephone. During the conversation, they agreed that both sides should move intensively on negotiations toward resolution of the remaining issues in their talks on China's accession to the WTO. They have agreed to have negotiations continue by the end of the month in Beijing.

#

CHINA TRADE IN AMERICA'S PACIFIC STRATEGY

**Ambassador Charlene Barshefsky
U.S. Trade Representative**

**Society of American Business Editors and Writers
Washington, DC**

May 4, 1999

Thank you for inviting me to speak with you this afternoon. Let me also offer my special thanks to the Bloomberg News Service as sponsor of our meeting.

This afternoon I will address America's trade relationship with China, and in particular our negotiations on China's membership in the World Trade Organization. I will offer some thoughts on our present relationship and its future; but let me begin by recalling an event of the past.

PACIFIC STRATEGY

This year marks the centennial of the U.S. Open Door Policy, which Secretary of State Hay announced in 1899. The Open Door was, on the surface, a trade policy. It drew its name from the note Hay sent to the European powers and Japan, calling on them to accept "perfect equality of treatment for navigation and commerce" for all countries trading with China.

The implications of this, however, were broader: an opposition to colonial plans in China; a determination to assert our own interests as well. This policy set a pattern for us in the 20th century: America is a Pacific nation; we have a vital interest in a peaceful, open and prosperous Asia-Pacific; and we will act to secure that interest. And our policies today are firmly in this tradition.

We make an unshakable commitment to peace and security in the region through 100,000 troops in the Pacific; strong alliances with Japan -- now strengthened by the passage of the new defense guidelines in the Diet's lower house last week -- and other Asian democracies, and work with all Pacific nations in bilateral talks, the ASEAN Regional Forum and elsewhere.

We vigorously support human rights, democratic principles and the rule of law, in bilateral relationships and at the UN Commission on Human Rights.

And we seek an economic environment of open trade and sustainable growth through our response to the Asian financial crisis, bilateral trade negotiations, work in APEC, and the World Trade Organization.

THE PLACE OF CHINA

China, as Asia's largest nation and fastest-growing economy, has an inescapable part in this strategy. We do not always agree with China, and we are prepared to assert our interests when we disagree. We have done so in trade, including through sanctions. But we are also committed to find and develop areas of common ground.

This is true in security issues: stability in the Korean peninsula, peace in the Taiwan Strait, and control over weapons sales. On human rights, Red Cross access to prisons and religious freedom. On transnational questions from climate change, to narcotics control and protection of the oceans. And fundamental to this policy, for the sake of our economic interest and as a complement to our strategic, security and human rights policies, is support for the integration of China into the Pacific and world economies.

We base this on our economic interests; but also our historic experience. It is not long ago, after all, that China was economically isolated. For nearly forty years after the Communist Revolution, its economy was almost entirely divorced from the outside world. This was vastly damaging to both China and the Pacific region. The loss of foreign markets and investment impoverished China at home. And it meant 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 has been a continuous and bipartisan feature of American foreign policy, comparable to our support for the economic reintegration of Japan and Germany after World War II, and to our work in Eastern Europe and the former Soviet Union today. In China, it began with the lifting of our economic embargo in the mid-1970s; through our Commercial Agreement and mutual grant of MFN status (now Normal Trade Relations) in 1979 and 1980; the renewal of normal trade relations for the past 20 years; and through the market access, textile and intellectual property agreements of the 1990s.

RESULTS OF INTEGRATION

These agreements are policy achievements aimed directly at opportunity and fairness for American businesses, farmers and working people. But they are also initiatives with broader implications: they deepen China's integration in the world and Pacific economy; accelerate China's adoption of international standards of behavior in commerce and law; and increase the contacts Chinese businesses, working people, mid-and-lower officials, and families have with the outside world. And thus they complement our broader Pacific strategy.

1. Security

In security, for example, the implications of China's growing entry into the Pacific and world economies are clear.

Broadly speaking, China has moved away from revolutionary policies utterly at odds with American interests. And it has moved towards a role as a major regional power willing to play a constructive part in some of the principal regional issues.

China's stake in regional prosperity and stability is evident in the Asian financial crisis. Thirty years ago, China might well have seen the crisis as a chance to foment revolution in Korea and Southeast Asia; today it is a threat to China's investment prospects and export markets, and China has thus maintained currency stability and contributed to IMF recovery packages. It may also play a role in China's normalization of relations with South Korea and participation in the four-party talks.

2. Human Rights and Freedom

And at the same time, China's economic integration has played a fundamentally important role in the vast changes in Chinese life over the past two decades.

As internal markets have opened and foreign investment grown in China, a generation of Chinese young people have grown up free of "work units" and other forms of government control over jobs, housing, marriage and informal conversation. As trade has grown, tens of millions of Chinese citizens, for the first time since 1949, have gone to work for foreign, Taiwan and Hong Kong companies; have met and spoken with foreigners and overseas Chinese; have access to new forms of telecommunications that inherently open up new sources of information and debate. Over 2000 years ago, the philosopher Han Fei-tzu noted the link between trade and freedom from state power; it is still valid today, when the worst periods of China's modern history – the years of the Great Leap Forward and Cultural Revolution – were those when it was most tightly closed to the outside world.

And the trade agreements themselves represent acceptance of deeper concepts: 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 in turn rest upon more universal values and ideals. Transparency. Public and enforceable commitments. The rule of law. These are concepts fundamental to any society that lives by the law and respects the rights of citizens.

U.S.-CHINA TRADE RELATIONS TODAY

But the work is far from done. 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 largely closed to foreign competition, depriving China of jobs, efficiency and innovation in rural and urban economies. In critical sectors – autos, telecommunications, semiconductors -- we see not only high tariffs but quotas, subsidies and more. Other unfair practices -- forced technology transfer, offsets, export performance and local content requirements -- are frequent. And the rule of law – crucial to any

advanced economy – is undeveloped throughout the Chinese economy.

Thus, China remains insecurely integrated, and only opportunistically so, with the world outside. At home, its economy faces severe challenges which, over time, more open trade could help to solve. And China's neighbors -- including ourselves -- remain blocked from an economy which could be an engine of growth in the 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 goods 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.

This is a fundamentally unbalanced, unsustainable situation. Tension and frustration over it within the United States is growing; and it is quite possible that without change, trade could lose its role as a source of stability and mutual interest and become another source of division.

U.S. POLICY IN WTO ACCESSION

China's accession to the WTO is an opportunity to address the issues at the root of these problems.

- As a matter of trade policy, a sound agreement will open Chinese agricultural, manufacturing and services markets to our exports, strengthen the trading system itself, and give American workers and domestic industries stronger protection against unfair trade practices and import surges.
- As a matter of strategy, WTO membership -- like our previous trade agreements, but in a much more profound fashion -- will complement our efforts to maintain stability in the Pacific by linking China's economy more closely with the world's, strengthening constituencies within China for stability beyond its borders.
- And as a matter of values, the principles of the WTO – transparency, fair and impartial judicial practices, peaceful settlement of disputes, the rule of law – are those we hope to advance in China and worldwide.

COMMERCIALLY MEANINGFUL ACCESSION ESSENTIAL

Of course, at bottom the WTO accession is a trade deal. And any agreement on WTO accession must be commercially meaningful.

The result must address the major barriers to American exports in goods, services and agriculture. It must address our concerns in other areas: abusive investment practices intended to draw jobs to China or take unfair advantage of American research; and unique issues arising

from China's status as an incompletely reformed non-market economy. And it must do so in a detailed, enforceable and rapid way. For those of you who are superstitious or like folklore, 1999 is the Year of the Rabbit, and tradition has it that "if someone signs a contract with a rabbit person, there can be no backing out." I prefer detailed, measurable and enforceable commitments.

To this task we have brought some lessons learned elsewhere. Since 1995, we have brought five transition economies -- Slovenia, Bulgaria, Mongolia, Kyrgyzstan and Latvia -- into the WTO. This year we have completed bilateral negotiations with Estonia, and made significant progress with another six: Albania, Armenia, Croatia, Georgia, Lithuania and Moldova. We are also working with Russia, Ukraine, the Indochinese nations and others. China is by far the largest such economy and is unique in many ways. But our goals are consistent; and many of the issues involved -- transparency, state enterprise, subsidies, transitions to market pricing -- have some parallels in these other, smaller economies.

So, by the way, do the lessons for the acceding countries. The successful applicants thus far have made commercially meaningful commitments in all areas, and found them immensely beneficial for their own domestic reform efforts. Just as a weak, "political" accession would neither be fair to China's major trading partners, nor to strengthen the global trading system, so it would not yield its full potential for economic efficiency, support for domestic reform and sustainable growth in China.

Thus we rejected attempts by China to win a political accession at the creation of the WTO in 1995 and before the Presidential Summits in 1997 and 1998. We are committed to commercially meaningful principles in the issues that remain. But while we have not yet reached agreement on such a package, in the past months we have made very significant progress toward the goal.

PROGRESS THUS FAR

To be specific, we have completed negotiations on agriculture and industrial goods, and addressed most of our concerns in services. We have consensus on a number of special Protocol, or rules-based, issues. And if this progress continues on the relatively limited issues which remain, we can bring the talks to a close soon.

Time does not allow a comprehensive review of the commitments we have reached, but let me make a few general comments. Overall, the set of commitments China has made contains four significant features:

- First, it is comprehensive. 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 in the Chinese market; and restrictions on services. And it deals with subsidies, state trading, technology transfer, non-market economy dumping, offsets, export performance requirements and other rules issues.

- 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, measurable, 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 are already in effect, 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 concessions will be limited to five years in almost all cases, and in many cases to one to three years.

All these, let me note, are one-way concessions. They open markets, fight unfair trade policies and strengthen protection for American workers. But they require no market access, export control, or trade law concessions from the United States. Our import policies, domestic trade laws, and market access policies remain as they are today. It would exaggerate, but not be wholly untrue, to say that while the opening to China in the 1970s was an act of enlightened self-interest, a commercially meaningful WTO accession is self-interest without the adjective.

SPECIFIC COMMITMENTS

Let me also make a few comments on the specific commitments.

In the Protocol, which establishes broad rules and frameworks for trade, we create a product-specific safeguard to address import surges. The Protocol will also ban forced technology transfer policies for investors. It will ensure that we continue to use "non-market economy" methodology in anti-dumping cases, and take account of China's unique characteristics in subsidies. It will eliminate abusive investment requirements designed to take jobs to China: offsets, export performance, current-account balancing and local content. And it will guarantee China's state trading companies and state-invested enterprises operate on commercial terms, and that their purchases are not subject to special or different rules. Again, we continue to discuss several issues, notably the duration of special provisions. While they will not continue in perpetuity, very rapid phaseouts are not acceptable.

With respect to the market access commitments.

Agriculture: China will apply sanitary and phytosanitary standards based on science. It will cut tariffs to an average of 14.5% for our priority items, and bind them at the applied levels.

Thus, unlike many countries, China will not have a right to raise tariffs again after it enters the WTO. It will adopt a new and more liberal system of -- tariff-rate quotas -- in bulk commodities. And it will agree not to provide agricultural export subsidies -- a major achievement in its own right, and a step toward our goal of totally eliminating export subsidies in the next WTO Round.

Industrial goods: China will grant rights to import and export products without Chinese middlemen, and to distribute products within China. It will cut its tariffs on average for U.S. priority items to 7.1% -- a figure comparable to most major U.S. trading partners. This includes participating in the Information Technology Agreement, and deep cuts in everything from autos to wood products, chemicals and construction equipment. And it will eliminate all quotas.

Services: China has made a comprehensive set of commitments extending from distribution to insurance, telecommunications, architecture, engineering, legal, travel and tourism, computer and business services, environmental services, franchising and direct sales, and more. Talks continue in several areas -- banking, audiovisual, securities -- but in several of these as well, China has made a set of commitments that already open significant opportunities.

These are a very broad set of commitments. They may well bring opposition from vested interests at home in China. But others have made comparable commitments, and China is entirely capable of making them as well. More important, WTO accession on commercially meaningful terms is good for China: it will mean increased employment, economic growth and social stability in the long run.

CONCLUSION: WTO ACCESSION IN LARGER CONTEXT

As you know, our work is continuing in several specific areas: our negotiating team reviewed the outstanding issues with China in Beijing last week, and will resume talks in mid-May. We are committed to resolving those which remain; but also optimistic that they are manageable issues which can be resolved. And if we are able to resolve them, the rewards will be substantial.

As China's market opens, American businesses, farmers, and working people will find new opportunities in the world's largest nation; and they will have stronger guarantees that Asia's fastest-growing economy will operate more fairly.

As China joins the trading system, its ties with its neighbors -- Japan, Korea, Southeast Asia, the United States -- will grow; and with that will come stronger incentives for China to act in concert with the region to build a stable peace.

And as we realize these concrete, material benefits, we will also advance less tangible but equally important goals: fairer and more transparent practices; ultimately, the rule of law.

The result will help us reach the goals we have had for a century: an open and fair world

economy; a China more open to the world and closer to the rule of law; a stable, prosperous and peaceful Pacific region. These are, ultimately, the goals of the Open Door policy of a century ago; but they will also serve us very well today.

Thank you.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	White House Situation Room to Alexander Arvizu, James Keith, Kenneth Lieberthal et al. Subject: On Hold (4 pages)	05/19/1999	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) [12]

2010-1024-F
vz1843

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]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- 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]

THE TRIP OF THE PRESIDENT TO NEW ZEALAND

Draft #1

Thursday, September 9 - Thursday, September 16

Note: New Zealand is 18 hours ahead of Washington, DC

THURSDAY, SEPTEMBER 9

TBD **DEPART** en route Hickam AFB, Hawaii
flight time: 9 hours, 45 minutes
time change: -6 hours

TBD **ARRIVE** Hickam AFB, Hawaii
[REFUEL]

TBD **DEPART** en route Auckland, New
Zealand
flight time: 8 hours, 30 minutes
time change: +22 hours

RON AIR FORCE ONE

FRIDAY, SEPTEMBER 10

RON AIR FORCE ONE

SATURDAY, SEPTEMBER 11

TBD **ARRIVE** Auckland, New Zealand

TBD **ARRIVAL CEREMONY (T)**
LOCATION TBD

TBD **DOWN TIME**
LOCATION TBD

TBD (T) **BRIEFING, BILAT AND PRESS**
OPPORTUNITY WITH JIANG
ZEMIN
LOCATION TBD

RON STAMFORD PLAZA HOTEL
AUCKLAND, NEW ZEALAND

July 13, 1999 (7:22PM)

THE TRIP OF THE PRESIDENT TO NEW ZEALAND

Draft #1

Thursday, September 9 - Thursday, September 16

Note: New Zealand is 18 hours ahead of Washington, DC

SUNDAY, SEPTEMBER 12

TBD CEO SUMMIT BREAKFAST
LOCATION TBD

2:00 pm- APEC CONFERENCE
5:45 pm CARLTON HOTEL

7:15 pm- APEC DINNER
10:30 pm GREAT HALL, TOWN HALL

RON STAMFORD PLAZA HOTEL
AUCKLAND, NEW ZEALAND

MONDAY, SEPTEMBER 13

8:00 am- LEADERS RETREAT
4:45 am LOCATION TBD

TBD DEPART en route Queenstown

BOXED: EVENING OFF

press conference?

RON MILLBROOK RESORT
QUEENSTOWN, NEW ZEALAND

TUESDAY, SEPTEMBER 14

DOWN FOR THE DAY

TBD DEPART en route Christchurch

TBD (T) BRIEFING, ~~BILAT~~, AND PRESS
OPPORTUNITY WITH JIANG
ZEMIN
LOCATION TBD

- OR -

TBD (T) STATE DINNER WITH ^{SHIPLEY}JIANG
~~ZEMIN~~
LOCATION TBD

Note: Jiang Zemin is scheduled to be in
Christchurch September 14 -
September 16. *Dang St. Louis*

RON HOTEL TBD
CHIRSTCHURCH, NEW ZEALAND

July 13, 1999 (7:22PM)

THE TRIP OF THE PRESIDENT TO NEW ZEALAND

Thursday, September 9 - Thursday, September 16

Note: New Zealand is 18 hours ahead of Washington, DC

Draft #1

WEDNESDAY, SEPTEMBER 15

TBD **BRIEFING, BILAT, PRESS
OPPORTUNITY WITH SHIPLEY**
LOCATION TBD

TBD **MEETING WITH OPPOSITION
LEADER**
LOCATION TBD

TBD **MESSAGE EVENT**
LOCATION TBD

TBD **EMBASSY EVENT**
LOCATION TBD

TBD **DEPART** en route Hickam AFB, Hawaii
flight time: 7 hours, 55 minutes
time change: -22 hours

TBD **ARRIVE** Hickam AFB, Hawaii

TBD **DEPART** en route Andrews AFB
flight time: 8 hours, 45 minutes
time change: +6 hours

RON **AIR FORCE ONE**

THURSDAY, SEPTEMBER 16

TBD **ARRIVE** Andrews AFB

RON **THE WHITE HOUSE
WASHINGTON, DC**

July 13, 1999 (7:22PM)



United States Department of State

Washington, D.C. 20520

**Office of Japanese Affairs
Room 4206**

**Fax Cover Sheet
Fax No. (202) 647-4402**

Date: July 16, 1999

To: EAP/FO – Staff Assistant, fax 77350
EAP/CM – Stephen Schlaikker, fax 76820
S/P – Matt Palmer, Fax 74147
P – Dan Shields, fax 74780
EB/FO – Staff Assistant, fax 75713
NSC – Jack Pritchard, fax 456-9250
NEC – Malcolm Lee, fax 456-9290
USTR – Wendy Cutler, fax 395-3957

From: ^{DL} Doug Ryan, telephone 647-1184

Number of Pages, including cover sheet: 7

Subject: PM Obuchi China Trip Report

Attached, for your information. Japanese Embassy Political Counselor Horinouchi provided this report to us this afternoon.

EAP and EB staff assistants – please distribute as appropriate.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002a. letter	To William Clinton from Japanese Prime Minister Keizo Obuchi. [English Translation] (2 pages)	07/15/1999	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) [12]

2010-1024-F
vz1843

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]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- 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]

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002b. letter	To William Clinton from Japanese Prime Minister Keizo Obuchi. [Japanese] (4 pages)	07/15/1999	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) [12]

2010-1024-F
vz1843

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]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- 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]

STEPS TO COMPLETE CHINA'S WTO ACCESSION NEGOTIATIONS

- Complete bilateral market access negotiations with the United States.
- Complete bilateral market access negotiations with each of the approximately 50 WTO Members participating in its accession working party. China has reached agreement with some Working Party Members and is meeting this week in Geneva with non-NATO countries.
- Working Party Meeting to formally agree on initial elements of the Protocol and Working Party Report and get status report on market access.
- We work with other WTO Members and China on the Working Party Report and Protocol. While the Protocol is a relatively short document, the Working Party Report for a major accession is lengthy, e.g., 100-150 pages.
- Based on market access schedules notified from each WTO Member, the WTO Secretariat prepares consolidated schedules reflecting the most favorable terms that China agreed to with any WTO member. Working Party members verify consolidated schedules. If the Schedules are in good technical form, the verification process can be completed in a month—three months is more typical. Any errors or misunderstandings must be resolved before the Working Party approves a recommendation to the General Council/Ministerial Conference to act on the accession package.
- Working Party meeting to negotiate remaining provisions of the Protocol and the Working Party Report and complete legal drafting.
- Working Party participants review the entire package—Protocol, Working Party Report and Schedules-- in capital. USTR consults with Congress as required under Section 122 of the Uruguay Round Agreements
- Working Party meeting to make a consensus recommendation on China's accession package-- send the package forward to the WTO Ministerial Council/General Council with a recommendation on action.
- United States must notify the WTO of its intention to invoke non-application if Congress has not acted to terminate application of "Jackson-Vanik" to China.
- Consensus decision taken on China's Protocol of Accession—Membership effective 30 days after China completes its domestic procedures and files necessary documents with the WTO Secretariat.

UNCLASSIFIED FAX
FROM THE NATIONAL SECURITY COUNCIL
AND THE NATIONAL ECONOMIC COUNCIL
OF THE WHITE HOUSE

SENDER: MALCOLM LEE, INTERNATIONAL GROUP

WH PHONE: 202-456-9299

____ PAGES INCLUDING COVER SHEET

WH FAX: 202-456-9290

SUBJECT: China TAIWAN / ~~RE~~ ~~RE~~ COMPENSATION TALKS

GUIDANCE

TO:

FAX:

PHONE:

CAEL / GENG

G-2878

UNCLASSIFIED FAX

CHINA/TAIWAN: ONE CHINA POLICY/WTO/HUMAN RIGHTS

July 22, 1999

Are we punishing Taiwan by cutting off military assistance?

- No change in our policy to provide defensive arms to Taiwan to enable it to maintain self-defense capability.
- We continue to adhere to the three U.S.-China communiqués and the Taiwan Relations Act. These have been the solid foundation for two decades of productive development in the region. We are firmly committed to this "one China" framework.

Have you canceled delegations' travel to Taipei and delayed arms sales to Taiwan?

- We do not comment publicly about the details of our deliberations over arms sales to Taiwan.
- We have not postponed any arms sales decisions. We will continue to review these on a case-by-case basis.
- President noted yesterday that this was not the time to take steps that might excite one side or the other. We are concerned about the prospect of rising tension in the Strait and would like to see Taipei and Beijing take positive steps to prevent that.
- Direct dialogue between Taipei and Beijing remains the key to resolving differences and preventing misunderstanding.

Is the U.S. rebuking or punishing Taiwan for its initiative by delaying military delegations?

- No. We have to be aware of the context in which our actions occur. Recognizing the potential for rising tension, this was not the time to risk an inadvertent signal.

Is the U.S. contemplating augmenting U.S. forces in the area?

- We have no plans to do so.

What is our military obligation to Taiwan under the Taiwan Relations Act?

- The TRA obligates the United States to make available to Taiwan defensive articles and services to enable Taiwan to maintain a sufficient self-defense capability. The TRA declares our policy that peace and stability in the area of the Taiwan Strait are in the political, security, and economic interests of the United States.

- The TRA also states clearly that it is U.S. policy to consider any effort to determine the future of Taiwan by other than peaceful means as a threat to the peace and security of the area and of grave concern to the United States.

Do Lee Teng-hui's July 20 statement and subsequent clarifications by the Taiwan authorities resolve the cross-Strait situation?

- Have seen press reports; refer you to Taiwan for authoritative statement.
- Taiwan President Lee Teng-hui reportedly explained that he was not seeking independence by calling for state-to-state relations in cross-Strait dialogue. He reportedly said “one China” is still possible, but only one that has a democratic system of government. Until then, he indicates there are two Chinese states that should have equal status.
- American policy is clear: we have a “one China” policy, we expect a peaceful resolution of the cross-Strait issues, and we strongly encourage dialogue across the Taiwan Strait.

WTO ACCESSION

CONTEXT: The NYT ran an article (p.A6) Tuesday entitled: "U.S. to Resume Trade Talks with Beijing"

Is China ready to re-engage in negotiations on its WTO accession?

- There is no change in China's position. We remain prepared to resume our talks with the Chinese when they are prepared to do so. We believe China's entry into the WTO on strong commercial terms is in both countries' interest.

Is Commerce Under Secretary Aaron going to Beijing this week to resume WTO talks?

- No. The purpose of this visit is to prepare for an annual meeting between our Secretary of Commerce and China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) that focuses on our commercial relationship. This meeting usually occurs in the fall. (There is no date set yet).

Do you take this as a good sign?

- We support resumption of normal contacts between our officials.

What is your reaction to the Chinese crackdown on the Falun Gong movement?

- Have seen and are concerned about reports that 70 organizers were arrested.

- Take no position on the teaching or practices of this movement, but urge Chinese government to respect the rights of adherents to assemble peacefully and express their views in accordance with widely accepted international standards for protection of human rights.

Lee, Malcolm R.

From: Keith, James R. (ASIA)
Sent: Tuesday, July 20, 1999 12:04 PM
To: Lee, Malcolm R.
Subject: FW: China Compensation [UNCLASSIFIED]

-----Original Message-----

From: Krass, Caroline D. (LEGAL)
Sent: Tuesday, June 29, 1999 9:27 AM
To: Keith, James R. (ASIA); Crowley, Philip J. (PRESS); @ASIA - Asian Affairs; Lieberthal, Kenneth G. (ASIA)
Cc: @PRESS - Public Affairs; @KOSOVO; @LEGAL - Legal Advisor; @RUDMAN; @INTEL - Intelligence Programs; @LEGISLAT - Legislative Affairs
Subject: RE: China Compensation [UNCLASSIFIED]

Ken: would add this on compensation, already cleared.

How did talks on payments to Chinese victims of the accidental bombing go?

- We have had discussions with the Chinese on this subject and anticipate further and more detailed discussions. We offered to make payments to the injured individuals and the families of those killed as a humanitarian gesture. Other issues related to payments either to the U.S. or to the Chinese are still under discussion.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. memo	For Tim Hauser from Don Forest. Subject: Under Secretary Aaron's Visit to China. [with marginalia] (1 page)	07/28/1999	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) [12]

2010-1024-F
vz1843

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]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- 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]

COMMERCE NEWS

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration • Washington, DC 20230 • www.ita.doc.gov/media

For Immediate Release
Tuesday, July 27, 1999

Contact: Morrie Goodman
202-482-4883
Ross Brown
202-482-3809

CHINESE AGREE TO MEET WITH SECRETARY DALEY FOR US-CHINA COMMERCIAL TALKS

Beijing, China - Commerce Secretary William M. Daley will meet China's Minister of Foreign Trade and Economic Cooperation Shi Guangsheng in Beijing this fall to co-chair the 13th session of the Joint Commission on Commerce and Trade. The agreement was announced at the conclusion of Under Secretary of Commerce David Aaron's one-day visit to Beijing and signals China's willingness to re-engage in a high-level commercial dialogue with the United States. To prepare for the JCCT session, Minister Shi and Secretary Daley will meet this September in New Zealand during the APEC Summit.

In Washington, Secretary Daley said, "I am encouraged by this positive outcome and look forward to working with my Chinese counterpart - Minister Shi - over the next several months. When I visited China last spring, I saw first-hand the unlimited opportunity that exist for American businesses in China.

Under Secretary Aaron was the first U.S. official to visit China to discuss commerce and trade since the tragic accidental bombing of the Embassy in Belgrade. In addition to Minister Shi, he met with senior officials from MOFTEC, the Ministry of Information and Industries, and the State Development Planning Commission.

"I believe this has been a very successful visit to China," Aaron said following his meetings. "Our discussions were cordial and productive, and have opened the door for further commercial and trade talks between our two countries."

To support the fall ministerial meeting, MOFTEC Vice Minister Sun and Aaron agreed to an ambitious agenda of working-level consultations to take place early in the fall. These consultations will cover a number of different areas including: industrial cooperation in key sectors such as information technology, telecommunication, aviation and air traffic control, and environmental technologies; trade and investment topics focusing on the challenges individual American companies face doing business on a day to day basis; and commercial law discussions including progress China is making on advancing the rule of law.

"China and the United States both recognize the significance of bilateral trade and investments issues in our overall relationship," Aaron said. "Today we accomplished our primary objective of re-energizing our government-to-government commercial dialogue."

U.S. Department Of Commerce

International Trade Administration

Office of the Under Secretary

14th & Constitution Avenue, NW

Washington, DC 20230

202/482-2867

202/482-4821 (Fax)

Date:

To: Malcolm Lee

Fax:

From: Kitz Roth

Subject:

You should receive 3 page(s) including this cover sheet. If you do not receive all of the pages, please call 202/482-2867. Thank you!

1) cable on Li mtg.

2) summary of China trip * NOTE LAST BULLET ISN'T PUBLIC

3) Secretary's press release

IMMEDIATE

UNCLASSIFIED
DEPARTMENT OF COMMERCE

INCOMING

PAGE 01 OF 02 0001830108 DC07389 209/1041Z

ACTION: 1000-01

INFO: 6110-01 420-01 6130-01 4110-01 534-01 3132-01 4000-01 REV-01
 4121-01 1003-01 500-01 6124-01 5130-01 5131-01 OPS-01 6020-01
 PTO-01 NOAA-01 SEC-01 8800-01 6132-01 6131-01 6310-01 4400-01
 6133-01 6730-01 4420-01 8904-01 CHIN-01 6126-01 6710-01
 6320-01 RFM-01 6000-01

----- AMADS AMADS 209/1041Z (TOTAL COPIES: 35)

OO RUCPDO

DE RUEHBJ #7213/01 2091034

ZNR UUUUU ZZH

O 281034Z JUL 99

FM AMEMBASSY BEIJING

TO RUCPDO/USDOC WASHDC IMMEDIATE

RUEHC/SECSTATE WASHDC IMMEDIATE 6362

INFO RUEHLE/AMCONSUL SHANGHAI 9634

RUEHSH/AMCONSUL SHENYANG 0120

RUEHMK/AMCONSUL HONG KONG 6836

ZEN/AMCONSUL CHENGDU

BT

UNCLAS SECTION 01 OF 03 BEIJING 007213

USDOC FOR 1000/ITA/US/DAARON

USDOC FOR 4400/MAC/EAP/DAS/MSEARING

USDOC FOR 4420/MAC/OC/DFOREST/MCQUEEN

USDOC FOR 3132/OIC/EAP/ADRESARRAN

USDOC FOR 6320/TD/OT/JHENRY

STATE FOR EAP/CN. E. EB

USTR FOR CASSIDY/LUND

NSC/NEC FOR BADER/MLEE

POSTS FOR FCS

E.O. 12958: N/A

TAGS: ETRD, BEXP, CH.

SUBJECT: UNDERSECRETARY AARON'S MEETING WITH STATE
 DEVELOPMENT PLANNING COMMISSION VICE CHAIRMAN LI
 RONGRONG

1. SENSITIVE BUT UNCLASSIFIED. PLEASE HANDLE
 ACCORDINGLY

2. SUMMARY: UNDER SECRETARY OF COMMERCE FOR
 INTERNATIONAL TRADE DAVID AARON MET STATE DEVELOPMENT
 PLANNING COMMISSION (SDPC) VICE CHAIRMAN LI RONGRONG TO
 DISCUSS COMMERCIAL AND TRADE-RELATED ISSUES INCLUDING
 MARKET ACCESS, INVESTMENT, EXPORT CONTROLS AND U.S.
 COMPANY PARTICIPATION IN CHINA'S INFRASTRUCTURE
 DEVELOPMENT PROGRAM. AARON ASKED LI FOR SDPC'S
 CONTINUED SUPPORT FOR THE JOINT COMMISSION ON COMMERCE
 AND TRADE (JCCT) AND TOLD LI THAT WHILE THE USG WAS
 READY TO RESUME WTO DISCUSSIONS ANYTIME, THE TIMING IS
 UP TO THE CHINESE. AARON ALSO RAISED THE ISSUE OF
 CHINA'S DEPLOYMENT OF THE U.S.-DEVELOPED CDMA
 TECHNOLOGY. IN A SURPRISING REPLY LI EXPLICITLY LINKED
 FURTHER MARKET ACCESS FOR THIS TECHNOLOGY TO SUCCESSFUL
 BILATERAL WTO NEGOTIATIONS. END SUMMARY.

3. ON 27 JULY, 1999, UNDERSECRETARY OF COMMERCE FOR
 INTERNATIONAL TRADE DAVID AARON, ACCOMPANIED BY CHARGE
 AND EMBASSY OFFICERS MET NEWLY APPOINTED SDPC EXECUTIVE
 VICE CHAIRMAN LI RONGRONG AND OTHER SDPC OFFICIALS TO
 DISCUSS A WIDE RANGE OF COMMERCIAL AND TRADE-RELATED
 ISSUES. VICE CHAIRMAN LI, WHO ASSUMED HIS CURRENT
 POSITION IN APRIL AND REPLACED FORMER VICE CHAIRMAN BAO
 XUDING (NOW THE MAYOR OF CHONGQING), IS RESPONSIBLE FOR
 THE INFRASTRUCTURE AND HIGH-TECH PORTFOLIOS AT SDPC.
 THIS WAS THE FIRST MEETING BETWEEN U/S AARON AND VICE
 CHAIRMAN LI.

4. U/S AARON BEGIN THE MEETING BY EXPRESSING HIS

CONDOLENCES FOR THE BOMBING OF THE CHINESE EMBASSY IN
 BELGRADE AND THANKING SDPC FOR ITS CONTINUED SUPPORT OF
 VARIOUS USG INITIATIVES IN CHINA. INCLUDING THE JCCT
 AND THE RECENTLY CONCLUDED MEETING OF THE OIL AND GAS
 FORUM. U/S AARON POINTED OUT THAT THE USG WAS PREPARED
 TO MOVE AHEAD WITH COOPERATIVE PROJECTS UNDER THIS
 FORUM TO ADDRESS, AMONG OTHERS, THE ISSUES OF MUTUAL
 MARKET ACCESS AND TO ASSIST THE CHINESE IN THE
 FORMULATION OF A NATIONAL NATURAL GAS AND OIL POLICY.

5. LI REPLIED THAT HE HAD RECEIVED A REPORT ON THE
 FORUM AND WAS ALSO PLEASED WITH THE OUTCOME. LI SAID
 THAT SDPC WAS LOOKING FORWARD TO CONTINUING THIS TYPE
 OF COOPERATION IN THE FUTURE, AS IT WAS BENEFICIAL TO
 BOTH SIDES. U/S AARON HIGHLIGHTED U.S. INDUSTRY
 INTEREST IN THE CHINESE ENERGY SECTOR, INCLUDING THE
 AREAS OF RENEWABLE ENERGIES, SUCH AS WIND AND SOLAR
 ENERGY PROJECTS, LNG AND NUCLEAR POWER.
 6. LI REPLIED THAT THE CHINESE ENERGY SECTOR HAD
 CHANGED SIGNIFICANTLY OVER THE YEAR AND THAT THE
 REALITIES OF THESE CHANGES WERE BEING TAKEN INTO ACCOUNT
 AS CHINA DRAFTED ITS LATEST FIVE-YEAR PLAN (FYP). LI
 TOLD AARON THAT SEVERE AIR POLLUTION IN CHINA MADE THE
 DEVELOPMENT OF "NEW" ENERGY SOURCES ESSENTIAL AND
 THAT CHINA WAS SPEEDING UP THE CHANGE FROM OLDER,
 DIRTIER TECHNOLOGIES TO CLEANER, MORE EFFICIENT
 TECHNOLOGIES. THE COST OF THESE CLEAN ENERGY SOURCES,
 HOWEVER, REMAINS AN ISSUE. SAID LI. LI POINTED OUT THAT
 WIND POWER, FOR EXAMPLE, WAS PROBABLY MOST APPROPRIATE
 FOR RURAL AREAS, BUT BECAUSE RURAL AREAS ARE GENERALLY
 THE POOREST REGIONS IN CHINA, THE PEOPLE WHO LIVE THERE
 CANNOT AFFORD THIS TECHNOLOGY. LI TOLD AARON THAT HE
 HOPED THAT THE TWO GOVERNMENTS COULD FIND A WAY TO
 BRING THE COSTS OF THIS TECHNOLOGY DOWN.

7. TURNING TO NUCLEAR ENERGY, LI STATED THAT IT WAS,
 IN FACT, THE U.S. GOVERNMENT WHICH UNTIL RECENTLY HAD
 PREVENTED AMERICAN COMPANY PARTICIPATION IN NUCLEAR
 ENERGY PROJECTS IN CHINA. IMPLICITLY AGREEING WITH
 AARON'S CHARACTERIZATION OF AMERICAN NUCLEAR ENERGY
 TECHNOLOGY AS THE "BEST IN THE WORLD". LI SAID THAT HAD
 IT NOT BEEN FOR U.S. GOVERNMENT RESTRICTIONS ON SALES
 TO CHINA THERE WOULD BE "NOTHING BUT U.S. NUCLEAR POWER
 PLANTS IN CHINA." U/S AARON EXPRESSED TO LI HIS HOPE
 THAT THERE COULD BE EARLY BIDS FOR THE NEXT NUCLEAR
 POWER PROJECTS IN CHINA WHILE BOTH SIDES PURSUED
 DISCUSSIONS ON NUCLEAR LIABILITY AND TECHNOLOGY
 TRANSFER ASSURANCES. LI TOLD AARON THAT CHINA NEEDED
 TO COMPLETE A "SUMMARY" OF THEIR CURRENT NUCLEAR POWER
 NEEDS BEFORE APPROVING ANY NEW PROJECTS IN THIS AREA.

8. ADVOCATING ON BEHALF OF U.S. COMPANY INTERESTS, U/S
 AARON THANKED LI FOR SDPC'S SUPPORT OF COMMERCIAL
 PROJECTS DURING SECRETARY DALEY'S RECENT VISIT TO CHINA
 AND SAID THAT THE JCCT WAS AN EXCELLENT VENUE TO FOSTER
 COOPERATION, BUT CHINA'S ENTRY INTO THE WTO WOULD BE
 INSTRUMENTAL IN THAT REGARD. AARON TOLD LI THAT THE
 U.S. WAS PREPARED TO HOLD FURTHER WTO DISCUSSIONS
 ANYTIME, BUT THAT THEIR TIMING WAS UP TO THE CHINESE.
 U/S AARON ALSO PRESENTED LI A LETTER SEEKING SDPC'S
 SUPPORT FOR U.S. COMPANIES BIDDING ON THE SHANGHAI LIGHT
 RAIL PROJECT.

9. LI AGREED THAT BUSINESS BETWEEN THE U.S. AND WAS
 "GOOD" AND THAT THE TWO GOVERNMENTS SHOULD FOSTER A
 HEALTHY BUSINESS ENVIRONMENT. ON THE SHANGHAI METRO
 PROJECT, LI SAID THAT THE U.S. WAS PROBABLY "TOO LATE"
 WITH REGARD TO THIS PROJECT. AS THE FRENCH HAD ALREADY
 SIGNED AN AGREEMENT WITH THE AUTHORITIES IN SHANGHAI:
 (NOTE: WE BELIEVE THE LI WAS REFERRING TO THE CONTRACT
 FOR RAIL CARS, NOT THE SIGNALING PROJECT WHICH USBS AND
 ALSTOM ARE PURSUING) BUT THAT THERE WERE AT LEAST FIVE
 OTHER SIMILAR PROJECTS PLANNED ACROSS CHINA AND THAT HE
 HOPED OUR COMPANIES WOULD TRY AND COMPETE FOR BUSINESS

UNCLASSIFIED

IMMEDIATE

UNCLASSIFIED
DEPARTMENT OF COMMERCE

INCOMING

PAGE 02 OF 02

0001830108

0007389 209/10412

THERE.

10. RAISING U.S. INDUSTRY CONCERNS SURROUNDING CHINA UNICOM'S CHINESE-CHINESE-FOREIGN (CCF) VENTURES. U/S AARON POINTED OUT THAT THE U.S VIEWED THIS SITUATION AS A "BUSINESS NEGOTIATION." AARON ADDED THAT ALTHOUGH IT WAS UNFORTUNATE THAT AMERICAN COMPANIES FELT THEY WERE LOSING FUTURE OPPORTUNITIES DUE TO CHINA'S DECISION TO TERMINATE THESE VENTURES, AS LONG AS COMPANIES WERE FAIRLY COMPENSATED THIS PROBLEM COULD BE RESOLVED.

11. LI REPLIED BY NOTING THAT THE LEADERS OF CHINA UNICOM HAD VIOLATED CHINESE LAWS AND THAT THE WHOLE SITUATION WAS AN UNFORTUNATE MISTAKE. BECAUSE OF THAT, LI ADDED, THERE HAD BEEN SOME "PENALTIES." LI STATED IT WAS IMPORTANT FOR THE CHINESE GOVERNMENT TO TAKE CONTROL OF THE SITUATION TO AVOID FUTURE PROBLEMS AND SAID THAT HE HOPED U.S. COMPANIES WOULD "UNDERSTAND" THE SITUATION. LI OPINED THAT U.S. COMPANIES SUCH AS KODAK HAD GONE THROUGH MANY YEARS OF NEGOTIATIONS BEFORE THEY WERE ULTIMATELY SUCCESSFUL AND THAT WITHOUT THESE "UP FRONT" PROBLEMS AND DISCUSSIONS THEY WOULD NEVER HAVE GAINED THE KNOWLEDGE THEY NEEDED TO BE ULTIMATELY SUCCESSFUL IN CHINA.

12. STATING THAT SECRETARY DALEY HAD WELCOMED PREMIER ZHU'S STATEMENT THAT CHINA WOULD COMMERCIALY DEPLOY THE U.S. - DEVELOPED CDMA TECHNOLOGY. U/S AARON ASKED LI ABOUT THE STATUS OF THAT DEPLOYMENT. AARON ADDED THAT COMMERCIAL DEPLOYMENT WOULD BE "GOOD NEWS" FOR THE SINO-U.S. TRADE IMBALANCE.

13. LI RESPONDED THAT THE CHINESE ALSO NEEDED SOME GOOD NEWS. ESPECIALLY WITH REGARD TO ITS ENTRY INTO THE WTO. HE REMINDED AARON THAT PREMIER ZHU HAD OFFERED CDMA AS A SWEETENER TO ACCELERATE LAST SPRING'S BILATERAL WTO ACCESSION TALKS. AS THOSE DISCUSSIONS HAD NOW STALLED AFTER THE BELGRADE EMBASSY BOMBING, SO TOO HAD CDMA EXPANSION HALTED. TIGHTENING THE LINE, LI EXPLAINED THAT CDMA WOULD GROW ONLY AS BILATERAL WTO TALKS SUCCEEDED. AARON AGREED THAT BOTH SIDES NEEDED TO MOVE FORWARD ON WTO AND REITERATED THAT THE U.S SIDE WAS READY TO DO SO ANYTIME BUT THAT THE TIMING OF SUCH TALKS WAS UP TO THE CHINESE SIDE.

WTO

14. OTHER SDPC OFFICIALS WHO ATTENDED THIS MEETING WERE: XU TONGMAO, DIRECTOR GENERAL OF FOREIGN AFFAIRS DEPARTMENT; MR. WEN KAIYUAN, DEP. DIRECTOR GENERAL OF THE ECONOMIC FORECASTING DEPARTMENT; MR. SONG CHAOYI, DEP. DIRECTOR GENERAL OF THE BASIC INDUSTRY DEVELOPMENT DEPARTMENT; MR. SHI FENGHAI, DEP. DIRECTOR GENERAL OF THE HIGH-TECH INDUSTRY DEVELOPMENT DEPARTMENT; MR. YUAN XIQING, DEP. DIRECTOR GENERAL OF THE FOREIGN CAPITAL UTILIZATION DEPARTMENT; AND MR. LI BIN, CHIEF OF AMERICAN AND OCEANIAN AFFAIRS, FOREIGN AFFAIRS DIVISION.

15. UNDER SECRETARY AARON HAS NOT CLEARED THIS CABLE.
(FCS: WQUINN) MCCAMILL

BT
#7213

UNCLASSIFIED

UNCLASSIFIED FAX
FROM THE NATIONAL SECURITY COUNCIL
AND THE NATIONAL ECONOMIC COUNCIL
OF THE WHITE HOUSE

SENDER: MALCOLM LEE, INTERNATIONAL GROUP

WH PHONE: 202-456-9299 _____ PAGES INCLUDING COVER SHEET
WH FAX: 202-456-9290

SUBJECT: CHINA POLITICAL/SECURITY ISSUE PRESS GUIDANCE
WTO HSD

TO:

FAX:

PHONE:

MELISSA GREEN / PATRICK DORTON / LAEC BRAINARD

UNCLASSIFIED FAX

WTO ACCESSION

China showed no willingness to resume WTO trade talks in Commerce Under Secretary's meetings in Beijing this week. Do you view this as a failure?

- We view these talks positively. The purpose of Under Secretary Aaron's visit ^{was} ~~is~~ to prepare for an annual meeting between our Secretary of Commerce and China's Minister of Foreign Trade and Economic Cooperation (MOFTEC) that focuses on our commercial relationship, and to discuss specific commercial matters.
- The Chinese have agreed to resume this minister level meeting this fall. (no time scheduled yet).
- WTO talks were not on the agenda.

Were WTO talks discussed?

- Indirectly. Senior Chinese trade officials expressed a desire for permanent NTR, as Chinese officials have done in prior JCCT and other meetings with Commerce Department officials. Ambassador Aaron responded that the President is prepared to work with Congress on permanent NTR in the context of a commercially viable WTO accession agreement. (That was the extent of the discussion.)
- We are not aware of any change in China's position on resuming talks. We remain prepared to resume our talks with the Chinese when they are prepared to do so. We believe China's entry into the WTO on strong commercial terms is in both countries' interest.

Do you view this meeting as a breakthrough?

We support resumption of normal contacts between our officials. This is one such contact, and view it as positive.

Is China ready to re-engage in negotiations on its WTO accession?

- Again, we are not aware of any change in China's position. We remain prepared to resume our talks with the Chinese when they are prepared to do so. We believe China's entry into the WTO on strong commercial terms is in both countries' interest.

Lee, Malcolm R.

From: Keith, James R. (ASIA)
Sent: Tuesday, August 03, 1999 4:29 PM
To: Lee, Malcolm R.
Subject: FW: Contingency Guidance on Taiwan Freighter [UNCLASSIFIED]
Importance: High

-----Original Message-----

From: Lieberthal, Kenneth G. (ASIA)
Sent: Saturday, July 31, 1999 3:17 PM
To: @PRESS - Public Affairs
Cc: @ASIA - Asian Affairs
Subject: FW: Contingency Guidance on Taiwan Freighter [UNCLASSIFIED]
Importance: High

Guidance on Chinese seizure of a Taiwan freighter:

Background:

China on July 31 seized and brought into port a freighter chartered by Taiwan to bring supplies to its garrison on Matsu Island near the coast of China's Fujian Province. No violence involved. China claims it seized the freighter on suspicion of smuggling activities. Taiwan has indicated this action is totally unrelated to the current political tensions across the Taiwan Strait.

Any comment on reports that the Chinese have seized a freighter chartered by the Taiwan Ministry of Defense?

- Have seen the reports. Understand that this is being handled as a routine maritime dispute, including direct communication between Taiwan Straits Exchange Foundation and the PRC's Association for Relations Across the Taiwan Strait.

Chinese Tests New ICBM

Context: China has apparently conducted the long anticipated test flight of its Dongfeng (East Wind) 31 intercontinental ballistic missile. The DF-31 is an improvement in the Chinese strategic inventory, providing China with its first solid fuel, road mobile long-range missile capability. The reported range of the single warhead missile is 2,000-8,000 km (1,200-4,800 miles).

Does the launch of the DF-31 pose a new threat to the United States? To negotiations and/or U.S. forces in East Asia?

- The launch of the DF-31 will not alter the strategic threat China has posed since the early 1980s to the United States. Moreover, we do not expect the DF-31 to be deployed for several years. We are concerned, of course, and will continue to observe developments in this area closely.
- The DF-31 does not present a new threat in the region, or to U.S. forces stationed in the region. It is an intercontinental ballistic missile (i.e. long distance) and so could not be effectively used in the East Asian region. China has had short range ballistic missiles for use in a regional context for a number of years.

The Administration seems less concerned about the DF-31 missile test than the North Korean missile tests – why is that?

- We are concerned about the Chinese test. However, we have established a better basis for talks with China than with North Korea about the control of missile technology exports, and we have a broad-ranging engagement with China on arms control issues that doesn't exist with North Korea.

Was this directed against Taiwan?

- This test has been long in the making, and this missile is not pertinent to the Taiwan area. We do not have reason to believe that Beijing is considering using military means to resolve its differences with Taipei. Our continuing priority is to see Chinese on both sides of the Strait resolve their differences peacefully through cross-Strait dialogue.

What is the nature of the Chinese missile threat?

- China has had the capability to reach the U.S. with long-range nuclear equipped ICBMs since they were first deployed in the early 1980s.
- The number of such missiles is less than two dozen, and we believe they are deployed as a "retaliatory force", consistent with China's declared nuclear policy of "no first use". The DF-31, once deployed, fits neatly into this "retaliatory force" posture, as it is more survivable than the missile it will replace.

- Note that while a significant portion of China's ICBM inventory may be "assigned" targets in the U.S., these ICBMs are not kept on "nuclear alert" or maintained in a "ready to launch" posture.
- We do not view China as an adversary. But one of the reasons we maintain our strategic nuclear deterrent is to hedge against the possibility, however remote, that it could turn hostile. China has always understood that if it were, for whatever reason, to consider conducting such an attack, the U.S. nuclear response would be swift and overwhelmingly destructive.

Did the unauthorized transfers of technology by U.S. companies to China in connection with satellite launches help China develop the DF-31?

- This Administration, like previous Administrations, has not authorized the transfer of any technology to assist China's ballistic missile program.
- However, we share the concern outlined in the recent report by the Senate Select Committee on Intelligence (SSCI) -- entitled the "Report on Impacts to U.S. National Security of Advanced Satellite Technology Exports to the People's Republic of China (PRC)" -- that unauthorized assistance and transfers of technology relevant to space launch vehicles and ballistic missiles may have occurred during certain space launch failure analyses. The Department of Justice is investigating these allegations to determine if any violations of U.S. export control regulations have occurred.
- We agreed with the Committee's findings that there is no evidence that these unauthorized technology transfers have been incorporated into China's currently deployed ICBM force, which was developed and deployed before U.S. satellites were approved for export to China.
- Like the Committee, we are concerned that unauthorized assistance and transfers of space launch vehicle and satellite technology could assist China in the development of future ballistic missiles.
- We also agreed with the Committee that China's indigenous work and improvements derived from non-U.S. foreign sources make it difficult to detect with precision to what extent technology transfers from U.S. sources may have helped China, if at all. Assistance from non-U.S. foreign sources probably is more important for the Chinese ballistic missile development program than the technical knowledge gained during U.S. satellite launches.

Lee, Malcolm R.

From: Keith, James R. (ASIA)
Sent: Tuesday, August 03, 1999 4:30 PM
To: Lee, Malcolm R.
Subject: FW: China Guidance [UNCLASSIFIED]

-----Original Message-----

From: Lieberthal, Kenneth G. (ASIA)
Sent: Tuesday, August 03, 1999 2:14 PM
To: Keith, James R. (ASIA)
Subject: RE: China Guidance [UNCLASSIFIED]

Belatedly, this is fine.

-----Original Message-----

From: Keith, James R. (ASIA)
Sent: Tuesday, August 03, 1999 9:46 AM
To: Lieberthal, Kenneth G. (ASIA)
Subject: China Guidance [UNCLASSIFIED]
Importance: High

for your approval:

Any comment on reports of increased tension in the Taiwan Strait?

- Can't confirm numbers reported in the press, but aircraft patrols in the area of the Strait do seem to have increased in number and frequency.
- No sense that military activity other than uptick in aircraft patrols exceeds normal activity for this time of year.
- Stress that rise in tension in the Strait would serve no one's interest. Urge Taipei and Beijing to exercise restraint and communicate directly about their differences.

China Embassy Settlement
July 30, 1999

Any comment on the conclusion of talks on payment to the Chinese for the accidental bombing of the Chinese Embassy in Belgrade?

- President has from the start felt that we should provide humanitarian payments to the families of those killed and to those who were injured. It is the right thing to do.
- Therefore, pleased to confirm that we made progress in three days of talks, including agreement on payments totaling \$4.5 million to those injured and the families of those killed.
- Also discussed property issues. Will continue discussions in August on two tracks, covering damage to the Chinese Embassy as well as damage done to U.S. diplomatic facilities in China.
- View result of this week's talks as a positive development in U.S.-China relations. These are serious issues that we have addressed in a sober and professional tone with the humanitarian aim of easing the suffering of the affected Chinese.

China/Taiwan Relations
July 31, 1999

What is your evaluation of Beijing's rejection of Taiwan's latest statement on cross-Strait relations?

- Have seen the reports. Up to Chinese on both sides of the Strait to interpret their own interests and objectives in cross-Strait dialogue.
- Our position remains firm support for "one China" policy, abiding interest in peaceful resolution of differences, and promotion of direct dialogue between Chinese on both sides of the Strait.

Does the U.S. endorse Koo Chen-fu's statement?

- Not our place to evaluate or endorse. Taipei's statement, not ours.
- Our priorities are reducing tension, maintaining security, and fostering prosperity in the region, for which we feel a productive and serious dialogue between the two sides is an important component.

Did the U.S. pressure Taiwan to make this statement?

- No. The statement made by Straits Exchange Foundation Chairman Koo Chen-fu was Taiwan's own statement both in conception and implementation.
- We neither endorse nor take responsibility for the substance of the statement.
- Our position is that Taipei and Beijing should discuss serious cross-Strait issues through established channels.

What is next now that Beijing has rejected the statement?

- Beijing has communicated its views to Taipei through established cross-Strait channels. We hope that further communication in that channel will help clarify and resolve differences between Taipei and Beijing.

TAIWAN: HELMS – LOTT LETTER
July 29, 1999

CONTEXT: We have just received a letter to the President dated 21 July from Helms, Lott and 24 other Republican senators. The letter castigates the Administration for holding up notification on arms sales to Taiwan, for “considering additional punitive measures,” and for sending missions to Beijing (Lieberthal/Roth) and Taipei (Bush). It calls for resolute support of Taiwan and provides advice on what the President’s representatives should say on their mission to Beijing. Note that the letter arrived after our return from Beijing. This letter undoubtedly will find its way into the press and may make Lee Teng-hui toughen his stand. We therefore need to respond strongly, especially since the letter is inaccurate and wrong-headed.

What does the letter say?

- Letter suggests the Administration is holding up Congressional notification on Taiwan arms sales and is considering “additional punitive measures.” Both statements are false.
- Letter suggests that the senior Administration officials that traveled to Beijing last week should stress U.S. expectation of peaceful resolution of the cross-Straits issue. The officials did exactly that.

What, if any, is the Administration’s response?

- Taiwan has achieved democracy, prosperity, and security under the framework that has existed for US-PRC-Taiwan relations since 1979. The Administration seeks to maintain a framework that is embodied in both communiqués and legal requirements – this has worked very well.
- The Administration, contrary to the implications in the letter, has not strong-armed or **contemplated strong-arming anyone.**
- The objective of U.S. policy in the region is to maintain our ability to work constructively with all key players so as to maximize stability, prosperity, and security in the region. Given the pertinent histories and the complexities of the area, this requires finesse and fidelity to long-standing obligations.

CHINA: FALUN GONG**July 29, 1999**

Is it true that the Chinese have issued a warrant for the arrest of Falun Gong leader Li Hongzhi and asked for international help in arresting him?

- Have seen the reports.
- Take no position on the merits of the Falun Gong organization, but through diplomatic channels have called on China to respect international standards of human rights with regard to freedom of assembly and freedom of expression.

IF ASKED: Would the U.S. extradite Li if asked to do so?

- We have no extradition treaty with China.

Can you confirm that a U.S. aircraft was granted permission to land in Hong Kong today, first time since the accidental bombing of the Chinese Embassy in Belgrade?

- A USAF C-130 was granted approval to land in Hong Kong on July 29. It will depart July 31. The aircraft was in transit from Southeast Asia to a U.S. base in Japan.
- First visit by a U.S. military aircraft since May 7 accidental bombing of Chinese Embassy.
- Routine access by U.S. military ships and planes in the interests of all parties concerned. Last year about 70 calls by U.S. ships in Hong Kong and about the same number of U.S. military aircraft calls.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 3, 1999

STATEMENT BY THE PRESIDENT

I have decided to renew Normal Trade Relations (NTR) status with China, so that we will continue to extend to China the same trade treatment we provide to virtually every other country on Earth. Maintaining NTR with China, as every U.S. President has done since 1980, will promote America's economic and security interests, and I urge Congress to support this decision.

NTR with China is good for Americans. Our exports to China have quadrupled over the past decade. Exports to China and Hong Kong support some 400,000 American jobs. Revoking NTR would derail ongoing negotiations to increase our access to China's market and to promote economic reforms there.

Trade also remains a force for social change in China, spreading the tools, contacts and ideas that promote freedom. A decade ago at Tiananmen, when Chinese citizens courageously demonstrated for democracy, they were met by violence from a regime fearful of change. We continue to speak and work strongly for human rights in China. A continued policy of principled, purposeful engagement reinforces these efforts to move China toward greater openness and broader freedom. This is the path to lasting stability and prosperity for China, to a future that will benefit the Chinese people -- and the American people.

We pursue engagement with our eyes wide open, without illusions. We continue to speak frankly about our differences and to firmly protect our national interests. A policy of disengagement and confrontation would only strengthen those in China who oppose greater openness and freedom.

Therefore, I am committed to bringing China into global structures, to promote China's adherence to global norms on human rights, weapons of mass destruction, crime and drugs, immigration, the environment, and on trade. I am determined to pursue an agreement for China to join the World Trade Organization on viable commercial terms. This is not a favor to

NEC PRINCIPALS TRADE MEETING

DRAFT – Annotated Outline - DRAFT

A. FAST TRACK

Roth is now thinking about holding hearings and marking up a bill in September. While many of his Republican members don't want to move away from their 1997 bill, he is trying to find a way to do so. Wants to bolster Administration's credibility in Seattle by having the Finance Committee endorse a new, somewhat more middle ground, approach (i.e., something we would be able to point to in Seattle as evidence the US is likely to have fast track authority by the time it needs it). Doesn't expect to push such a bill to a vote by full Senate this year and doesn't appear to want to deal with fallback proposals at this juncture (i.e., WTO- or Chile-only).

1) Should we formulate a general Administration position on fast track (i.e., actively try to engage in consensus building and say what we stand for without alienating either business or labor)? Two options:

- Articulate in concept our priorities for a fast track bill and trade policy more generally in testimony or in a high-level speech (e.g., parity for labor and environment vis-à-vis other negotiating objectives in a fast track bill --- but not necessarily in our actual trade negotiating agenda). This might also be an opportunity to anticipate and partially inoculate ourselves from labor and environmental frustrations in Seattle by placing our WTO negotiating agenda in a broader context.
- Put forward a specific fast track legislative proposal (this would be harder to manage without alienating business or labor).

2) Should we formulate positions on potential fallback fast track proposals (WTO- and/or Chile-only)? Seek as part of end-of-year omnibus package?

- Chile FTA presents interesting opportunity to achieve a trade agreement with labor and environmental provisions --- Chilean government is willing.
- Congress might be willing to pass legislation endorsing a set of WTO negotiating objectives as a sign of support for the Seattle ministerial and launch of a new round.

B. AFRICA/CBI

Overall goal is to win Senate approval in September, and conference committee compromises thereafter, of both bills.

- CBI. Senate likely to pass its version of CBI without much prodding from Administration in light of Lott's interest. Challenge with respect to CBI is to maintain Administration visibility, particularly in the Senate, and prepare to engage in the search for compromise on textiles and labor in conference.
- Africa. By contrast, we need to make a Senate push to ensure that the Senate takes up and passes the Africa bill. In this regard, staff is organizing effort to:
 - Have principals make calls to Senators seeking support/cosponsorship of Africa bill;
 - Gain a vocal Senate Democratic sponsor for bill as well as additional Democratic cosponsors (now only 3)
 - Conduct outreach to business, NGOs, media.
 - Be prepared to engage in conference discussions on compromises in the areas of textiles and labor.

C. CHINA

1) China NTR

- Vote expected Tuesday (Larry Stein can update)
- WH Leg expects we will lose no Democrats from last year (110). Will lose about 10 Republicans.
- Administration and private sector have used annual vote to lay firm foundation and set forth rationale for permanent NTR.
- Larry Stein should comment on whether any risk of pro-Taiwan resolution being coupled. WH and State did not expect as of late in week. Private sector still worried.

2) China WTO

- Highest Trade Priority: Securing strong China WTO agreement and Congressional approval of permanent NTR this year is highest priority on our trade agenda for remainder of year.
- U.S. Posture (USTR, NEC)
- Prepared to reengage on WTO talks at any time.
- Important to secure commitments made on April 8. Internally, we should think creatively on remaining issues and establish clear priorities. (Note: Bottom line in our negotiations should

probably be discussed is separate Podesta meeting. That group will also need to decide whether, when, and what flexibility to reveal to Chinese).

- Important to conclude agreement as quickly as possible to complete both remaining protocol work in Geneva as well as passage of permanent NTR in Congress prior to November 20 WTO ministerial in Seattle. Target should be bilateral between Jiang and the President at APEC in September.

3) Permanent NTR

- Larry Stein can review legislative calendar for Fall to get sense of latest date we could send permanent NTR legislation to Hill.
- Should begin now to think creatively on legislation. Will Congress grant permanent NTR only on the basis of a bilateral agreement? Will granting permanent NTR be contingent on completion of work protocol in Geneva and China's actual entry?
- Also need to think creatively now on how to address concerns of Gephardt, Levin and others on labor and human rights issues.

D. OIL ANTIDUMPING PETITIONS

The Department of Commerce (DOC) is examining whether antidumping and countervailing duty petitions filed against oil imports from Mexico, Venezuela, Saudi Arabia and Iraq have sufficient support within the domestic industry to constitute standing. A decision is required by August 9th, and DOC would initiate its investigations shortly thereafter. According to CEA, the imposition of antidumping and/or countervailing duties likely would have an insignificant effect on the United States economy, and would only have a limited effect on the economies of the target countries. However, the initiation of investigations could have a significant effect on our trading relations with them and damage our trade agenda more broadly. Mexico, for example, has already decided not to proceed with a scheduled elimination of tariffs on natural gas imports from the United States. Secretaries Daley, Albright, Richardson, Amb. Barshefsky have expressed concern.

Some have suggested that we explore addressing the problem raised by the dumping petitions through other mechanisms.

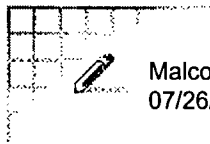
- Should we have a more focussed discussion on the potential downside of the petitions and possible policy alternatives (e.g., tax proposals)?

E. VIETNAM

USTR has just initialed a comprehensive commercial agreement "in principle" addressing such things as import quotas, import bans, and high tariffs as well as general liberalization of financial services, telecommunications, distribution, protection of intellectual property rights and other matters. Amb. Barshefsky will want to brief Principals on the potential deal.

Negotiators have been briefing hill staff as the deal has been negotiated and there is strong support from key business and Congressional Leaders (McCain, Kerry included). But principals now need to engage further with hill Leaders, with business, and with labor and other interest groups.

The agreement must be formally submitted to Congress for approval by Joint Resolution. After this, the President would be able to grant NTR treatment to Vietnam (subject to Jackson Vanik). Key supporters want an agreement signed and brought to Congress in late fall, and do not believe there is any conflict eg with a possible China deal. Principals should discuss this timing.



Malcolm R. Lee
07/26/99 11:46:20 AM

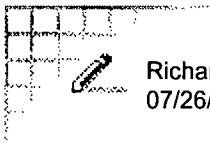
Record Type: Record

To: Richard M. Samans/OPD/EOP@EOP
cc: lael brainard/opd/eop@eop, d holly hammonds/opd/eop@eop, sharon h. yuan/opd/eop@eop, Melissa G. Green/OPD/EOP@EOP
bcc:
Subject: Re: draft annotated agenda outline for trade principals/ Trade Law Changes????

I clear. One possible addition to agenda is changes to our trade laws. Some still pressing for changes to our dumping laws (Levin and Houghton) and Roth's 201 bill approved by Finance Committee and is hanging out there (though Gramm would filibuster any 201 standard easing). Would be useful to affirm Administration positions on:

- Dumping law: Administration opposes opening our dumping laws. Would invite changes to dumping and subsidies codes in new WTO round.
- 201 law change: Roth, Baucus, Levin-Houghton bills contain generally constructive elements. We are prepared to work with Congress on legislation we could recommend the president sign. (Subtext: we are not endorsing or pressing for 201 legislation, nor are we opposing. We are willing to discuss with interested parties).
- Industry/Labor veto on suspension agreements: approved by Finance Committee as part of Roth bill. Of the three measures listed, this one has the highest likelihood of seeing further action. Administration is opposed.

Richard M. Samans



Richard M. Samans
07/26/99 10:26:45 AM

Record Type: Record

To: Lael Brainard/OPD/EOP@EOP, D Holly Hammonds/OPD/EOP@EOP, Malcolm R. Lee/OPD/EOP@EOP
cc: Sharon H. Yuan/OPD/EOP@EOP
Subject: draft annotated agenda outline for trade principals



gene-principals-72699.d

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. draft	China WTO/NTR (3 pages)	06/1999	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) [12]

2010-1024-F

vz1843

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]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- 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]

Record Type: Record

To: Malcolm R. Lee/OPD/EOP@EOP

cc:

Subject: inside...

HOUSE LIKELY TO EXTEND ANNUAL MFN TO CHINA WITHOUT COX
REPORT DAMAGE

Date: July 23, 1999 -

A House vote to extend most-favored nation status to China for another year is expected to succeed next week without a significant loss of support stemming from a highly publicized report that China made systematic efforts to steal technology from the United States, according to informed sources. The erosion of support on the Republican side is not significant enough to allow the passage of a resolution disapproving the President's decision to extend MFN to China for another year, they said.

The House is expected to vote on China MFN on July 27.

Whip counts show 130 Republicans solidly in favor of extending MFN and in opposition to the resolution of disapproval, with about 15 to 20 leaning towards extension, sources said. Among Democrats, there about 110 supporters of China MFN, but lobbyists say they hope to garner as many as 115 Democratic votes.

Last year, the House voted 264 in favor of extending MFN for China, with 149 Republicans and 115 Democrats.

In a related development, the Senate this week overwhelmingly rejected an attempt by Sen. Robert Smith (I-NH) to force the Senate Finance Committee to discharge his resolution of disapproval of annual renewal of China's most-favored nation trading status.

Sources warn that the vote on annual renewal in the House does not necessarily reflect the vote count on permanent MFN for China, which would be required for the U.S. to apply the World Trade Organization rules to China.

U.S.-China negotiations on accession to the WTO remain stalled as the U.S. and China try to agree on compensation for the accidental bombing by NATO planes of the Chinese embassy in Belgrade.

In the meantime, China has concluded in the past few weeks a bilateral deal on WTO accession with Australia and a services agreement with Japan. The services deal with Japan falls short of the April 8 outline of Chinese WTO concessions released by the U.S., which China subsequently disputed as inaccurate, according to informed sources.

The concessions on telecommunications, financial services and other sectors that China disputed in the U.S. document are excluded from the China-Japan deal in favor of better concessions on construction services, sources said.

On telecommunications, this means the exclusion of internet services and prohibiting foreign majority

ownership in telecommunications firms, sources said. In addition, China in May insisted that all international calls have to be routed through three gateways owned by China Telecom (Inside U.S. Trade, May 14, p.10).

_source: Inside US Trade

_date: July 23, 1999

_issue: Vol. 17, No. 29

_title: HOUSE LIKELY TO EXTEND ANNUAL MFN TO CHINA WITHOUT COX REPORT DAMAGE

© Inside Washington Publishers

U.S. Department Of Commerce**International Trade Administration****Office of the Under Secretary**

14th & Constitution Avenue, NW

Washington, DC 20230

202/482-2867

202/482-4821 (Fax)

Date: July 23**To:** Malcolm Lee**Fax:** 456-9290**From:** Keith Roth**Subject:** Amb. Aaron's Trip

GENE/LABEL

FOR PRINCIPALS
MTG
- CHINA

You should receive _____ page(s) including this cover sheet. If you do not receive all of the pages, please call 202/482-2867. Thank you!

Malcolm -

Following is what we have: his
schedule and MOFTEC talking points.

I hope to have the Minister Shi on
Monday.

Keith

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. schedule	Notional Schedule for Under Secretary David Aaron's Trip to China. (2 pages)	07/23/1999	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) [12]

2010-1024-F
vz1843

RESTRICTION CODES

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

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

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.

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]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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]

MEETING WITH MOFTEC VMINISTER SUN ZHENYU (PHONETIC: SUHN)**(INTRODUCTORY REMARKS)**

COMMERCIAL DIALOGUE UNDER THE JCCT. Mr. Vice Minister, I appreciate this opportunity to re-energize our constructive commercial dialogue under the JCCT. Secretary Daley, other colleagues who participate in the JCCT, and I look forward to building on this dialogue throughout 1999 and beyond.

- o Our efforts under the 12th session of the JCCT and our work together on other initiatives agreed to during the Presidential Summit in 1998 -- notably the Presidential Infrastructure Mission which Secretary Daley led in March -- yielded a host of important commercial outcomes through April of this year as did the visit of Premier Zhu (China's decision to issue a software directive, deploy CDMA across China, expand cooperation in export controls, grant several new insurance licenses to US providers, and other outcomes).
- o Mr. Vice Minister, I look forward to our discussion this morning.

(END INTRODUCTORY REMARKS)**(BEGIN MEETING REMARKS)****CALENDAR OF EVENTS/SECRETARY'S VISIT FOR THE 13TH SESSION OF THE**

JCCT. Our ability to achieve these outcomes and to build on this progress in the future derives from our commitment under the JCCT to enhance commercial dialogue through a variety of exchanges under our working- and sub-groups.

- o Appreciate MOFTEC's agreement in principle on the proposed JCCT calendar of events through 1999 and to host the 13th session of the JCCT and Secretary Daley's visit later this year (pending). To enjoy productive sub-group discussions identified in the calendar we need to restart our sectoral dialogue in key sectors and name co-chairs for a variety of sectors among other things. Also, GC Pincus has asked that I recommend a joint E-Commerce seminar to coincide with the JCCT once scheduled.
- o To facilitate ministerial discussions later in the year and have a fuller sub-ministerial discussion than is possible today, I would like to invite you to Washington, DC during your proposed visit to the United States in September.

JCCT AGENDA. My comments today follow largely from issues identified and initiatives agreed to in the JCCT Co-Chairmen's Report of Discussion (hereinafter, "Report") which Secretary Daley and MOFTEC Minister Shi issued at the conclusion of the 12th session of the JCCT in December of last year.

- o While time does not permit a complete examination of all the issues identified in the Report, I would like to briefly highlight immediate concerns as well as the opportunities we see for broadening cooperation and dialogue (export controls cooperation, IPR, arbitral claims and other commercial law cooperation and several existing and new market access problems).

EXPORT CONTROLS. The White House has asked that I convey the importance of continuing and hopefully expanding the end-use visit process announced at the July 1998 Summit and our overall dialogue on export controls cooperation.

- o *EUVs.* End-use visits are critical to sustaining U.S. high technology trade with China. This is particularly urgent in the area of High Performance Computers (HPCs). You are aware that Congress has mandated that we conduct end-use visits on all HPCs exported to 50 countries including China. We have only conducted three visits out of more than several hundred required and there is a large backlog of visits pending with MOFTEC.
- o Recent Administration-proposed changes which increase computer MTOPs levels for China and other Tier III countries make it imperative that we tackle this issue now.
- o *Export Controls Seminars/Exchanges.* Second, we believe it is important to continue our bilateral dialogue and consultations on export controls which have led to much progress in resolving our problems. Regret that MOFTEC officials could not come to Washington in the spring for a scheduled seminar. Like to re-extend our invitation for 8 to 10 export control officials from China to come to Washington in September or October for a seminar on export controls.

SOFTWARE DIRECTIVE/IPR CONSULTATIONS. Issuance in February of the State Council Software Directive is a promising step and one welcomed by Secretary Daley, Ambassador Barshefsky and U.S. industry. Look forward to discussing progress with implementation of the directive (e.g., whether software audits have been performed, the results of audits, and whether sufficient resources are being devoted to audits and the acquisition of legal software).

- o Consistent with our discussions during last year's JCCT and subsequent bilateral discussions, interested in the status of draft copyright, patent and trademark laws and the opportunity to provide comment where possible. Pending confirmation of proposed dates, the USG interagency IPR delegation looks forward to discussing the full range of IPR issues with China's legislative and enforcement team during the first week of October.

RECOGNITION AND ENFORCEMENT OF ARBITRAL AWARDS

- o Pleased that the Supreme People's Court issued additional guidance to courts on recognition and enforcement of foreign arbitral awards. Interested in how the Supreme People's Court guidance is working in practice. In addition, would like to review the status of unenforced arbitral awards and commercial disputes at the earliest possible opportunity.

TRADE AND INVESTMENT

Insurance. We appreciate China's decision to issue four additional insurance licenses to foreign firms -- two of which were American, Chubb and John Hancock. We are hopeful that the approval for operational licenses, conditions for scope of business, and notification of the location in which they will be allowed to conduct business will soon be transmitted to both companies.

o **Pharmaceuticals/Cosmetics/Healthcare**

(Prepulsid). First, I would like to thank you for your assistance to Johnson & Johnson's administrative protection concerns with "Prepulsid." If possible, the company would appreciate a written document which verifies this administrative action by appropriate Chinese authorities.

Pharmaceuticals. We are concerned that current draft regulations which may limit importation of foreign medicines and provincial level health care cost containment measures, such as those issued in Guangdong, may discriminate against foreign medicines and create a multi-tiered price control system.

o **Tariff Rate Issue.**

In addition, China's Customs Administration applies non-MFN tariff rates to pharmaceuticals and other products (soft drinks) manufactured in Puerto Rico, which is part of the U.S. customs territory. MFN rates should apply to these products as well.

o **Cosmetics.**

New regulations effective May 1 from the Ministry of Health could constitute a de facto quota on cosmetics and toiletries since only a limited number of applications will be considered. The new regulations also impose burdensome testing and other procedures.

o **Healthcare.**

In order to facilitate a broader discussion of China's evolving healthcare system -- a key goal of pharmaceutical and other healthcare industry providers in the United States -- we believe that the Ministry of Labor and Social Security among other agencies should be encouraged to participate in JCCT medical sub-group discussions.

U.S. EXPORTS AND MARKET ACCESS

U.S. exports to China for the period Jan-May of 1999 are down nearly 6 percent from the same period last year and our deficit has increased by more than 16 percent. The size of the deficit and market access restrictions are serious concerns to Congress and other key constituencies in the U.S. Clearly, much greater and sustained market access for U.S. goods and services across the board is imperative.

CONCLUSION. SCOTurley will be meeting with MOFTEC and other officials over the course of the next several weeks to discuss these issues in greater detail. Mr. Forest and Mr. Leacy, who join me here today, look forward to their meetings with MOFTEC officials tomorrow.

DROP-BY WITH MOFTEC MINISTER SHI GUANGSHENG (PHONETIC: SHIH)

OUTCOMES OF SUB-MINISTERIAL DISCUSSION. VMinister Sun and I held useful discussions this morning on a host of issues under the JCCT and under our broader commercial dialogue (expanding sectoral cooperation, export controls, IPR, commercial law including arbitral awards, and a variety of timely sector-specific issues including insurance, pharmaceuticals, healthcare, cosmetics).

- o I am pleased that we were able to agree in principle on the proposed calendar of JCCT and related events through the end of this year. The calendar helps set a course for productive commercial engagement in a host of areas (export controls, commercial law, and industrial cooperation) throughout the remainder of the year.
- o Given our limited time this morning to cover all issues of concern and to prepare for the next JCCT, I invited Vice Minister Sun to Washington DC to meet with me and other JCCT counterparts in September during his proposed visit to the United States.

LETTER FROM THE SECRETARY/SCHEDULING THE JCCT. To underscore the importance he attaches to the JCCT this year and our overall relationship at this time, Secretary Daley has asked me to convey his letter to you (hand letter).

- o He recognizes that our efforts under the 12th session of the JCCT and our work together on other initiatives agreed to during the Presidential Summit in 1998, notably the Presidential Infrastructure Mission in March, yielded a host of important commercial outcomes through April of this year and the visit of Premier Zhu (China's decision to issue a software directive, deploy CDMA across China, expand cooperation in export controls, grant several new insurance licenses to US providers, and others).
- o He appreciates your substantial interest and involvement in these positive outcomes and looks forward to working with you for the remainder of this year and beyond.
- o He will be pleased on receiving the news that you have agreed to host the 13th session of the JCCT later this year (pending). Our respective staffs will work to come up with a mutually convenient time for the JCCT in Beijing.

EXPORT CONTROLS. Secretary Daley and the entire Administration believe strongly that a critical element in setting a positive course for our future commercial dialogue and overall trade relations is continuing and hopefully expanding our export controls dialogue.

- o An important outcome of the Summit in 1998, advanced by our work in the JCCT, was the End-Use Visit Arrangement. End-use visits are critical to sustaining U.S. high technology trade with China.

- o Recent changes which increase computer MTOPs levels for China and other Tier III countries make it imperative that we tackle this issue now.
- o We also believe it is important to continue our bilateral dialogue and consultations on export controls which have led to much progress in resolving our problems. Pleased that MOFTEC will give serious consideration to sending export control officials to Washington in the fall for a seminar on export controls (pending).

COMMERCIAL COOPERATION, MARKET ACCESS AND WTO

Our combined efforts under the JCCT to expand commercial opportunities -- as China further reforms, develops its economy, and builds its infrastructure -- have created new and promising partnerships between our respective companies and enterprises. We also have worked hard to resolve differences on commercial issues as they arise and search for new solutions.

- o Clearly, these efforts must and will continue. However, we also recognize that our most recent trade picture does not substantially improve on the basic truths of this trading relationship.
- o U.S. exports to China for the period Jan-May of 1999 are down nearly 6 percent from the same period last year and our deficit has increased by more than 16 percent.
- o The size of the deficit and market access restrictions are a serious concern to Congress and other key constituencies in the United States. Much greater market access for U.S. goods and services would be welcome steps in ensuring that our companies can compete fairly. Competition is also fundamental if Chinese companies are to be successful internationally.
- o **WTO.** The U.S. is ready to immediately engage in talks under the WTO when China is prepared to do so. The timing is up to China.
- o Thank you for the opportunity to meet and Secretary Daley looks forward to seeing you at the APEC leaders meeting in September.

IF RAISED

BELGRADE BOMBING. Our two governments have met to work on remaining issues associated with this tragic accidental event and will meet again later this week. I refer you to my State Department colleagues for any additional discussion of this issue.

TAIWAN POLICY. The United States' commitment to the "one China" principle is clear and long-standing and recently re-affirmed by the President in his telephone conversation with President Jiang Zemin. I refer you to my State Department colleagues for any additional discussion of this issue.

PERMANENT NTR. This issue has been discussed as part of our work on China's accession to the WTO.

TAIWAN WTO (USTR requests that you not respond). (*If pressed:* We have publicly expressed our support for Taiwan's accession on its own commercial merits. Final action, however, on Taiwan's application will require a consensus decision by the members of Taiwan's working party.)

EXPORT CONTROLS. *High Technology Trade - Our Deficit.* Expanding cooperation in end-use checks-- an area in which we have some promising beginnings and a serious concern of Congress -- is key. With agreement on further cooperation in this area, we could approve more licenses for China and China could receive more advanced U.S. technology.

Satellites - Hughes. Congress enacted into law very tight procedures for satellite launches for all countries, including even France. The Administration believes that the long-standing policy of permitting the launch of U.S. commercial satellites by China serves our overall mutual interests. Effective March 15, 1999 satellite licenses have been under the jurisdiction of the State Department.

- o Commerce's export licensing decisions are made through a process that includes several other departments, including Defense, State, and Energy. (RE: Hughes) In this case, there was a vote, and there was not a majority to issue the licenses. The Administration intends to ensure that legitimate trade in communications satellites continues. The Hughes decision does not prejudice consideration of future license requests.
- o ***Cox Report.*** The Cox Committee examined serious issues and the Administration has taken steps to tighten security at U.S. facilities. We are working at the same time to implement our commitment to strong economic relations. We seek your cooperation across the full range of issues we have observed, including end-use checks, so that we can expand our trade.

- o ***Reluctance to Expand Nuclear Cooperation.*** Since implementation in March 1998 of the U.S.-China nuclear cooperation agreement, we have authorized a wide variety of private sector assistance to China's civilian nuclear power program.
- o U.S. law and Nuclear Suppliers Group obligations requires government-to-government assurances for technology transfers in this sector. These assurances are similar to those that China has required for exports of Chinese nuclear technology to other countries under its nuclear export regulation implemented in 1998.

CONCESSIONAL FINANCING, TDA. While Ex-Im Bank and U.S. government policy is not to initiate tied aid, Ex-Im Bank's current policy is to aggressively match officially supported competitive offers of tied aid by other OECD member countries in support of their exports. Ex-Im Bank looks forward and welcomes the opportunity to provide increased financing for U.S. exports to China.

TDA. We need to look at the question of lifting Tiananmen sanctions, including resumption of TDA's China program, in the overall context of U.S.-China relations.

TRADE DATA DISCREPANCY. We continue to maintain that U.S. trade data, which shows a large and growing deficit with China (up 16 percent through May 1999), is indeed accurate.

- o Intermediary trade is the primary cause of discrepancies between the bilateral trade statistics produced by the United States and China. The United States, like China, compiles its merchandise trade statistics according to UN guidelines, attributing country of origin and destination accordingly. We cannot calculate our trade balance with China using different rules.

PATENT DATABASE. US Patent and Trademark Office (PTO) has responded to several requests from the Chinese Government regarding the patent data and has explained the situation regarding Congressional concern about USPTO's plan to provide the patent data.

- o Given growing sentiment in the Congress on a host of issues, there is concern that providing the patent database at this particular time could fuel anti-China sentiment in Congress.

MARITIME TRADE. I understand that maritime officials of our two countries are seeking mutually acceptable dates to hold maritime talks. I hope these discussions will be fruitful and bring about greater reciprocity and more open competitive maritime trades.

- o The Federal Maritime Commission (FMC) Information Demand Order is the first step in the investigation of conditions in the US-China maritime trades. The FMC has collected information and is analyzing it.

ANTIDUMPING. This issue has been discussed as part of our work on China's accession to the WTO.

(If pressed on Non-market Economy (NME) Status. I appreciate the sensitivity of this issue to your government and recognize your ongoing economic reform efforts and progress to date. Nevertheless, significant work remains to be done. We therefore believe that it is necessary to have continued recourse to a nonmarket economy antidumping methodology in dumping cases involving China.)

TEXTILES. This issue has been discussed as part of our work on China's accession to the WTO.

(If pressed on chargebacks. We provided clear evidence that Chinese goods entered the U.S. falsely declared as products of Hong Kong in violation of our bilateral agreement. In applying charges to China's quotas, the U.S. merely exercised its rights to remedy under the bilateral.)

L-1 VISAS

The INS examines L-1 work petitions closely applying relevant U.S. laws and regulations before recommending that a visa be issued.

- o The Department of State and Transportation are trying to facilitate discussions between INS and Air China to see if a solution satisfactory to Air China and consistent with U.S. law can be reached. We hope we are able to bridge the gap.

BANK OF CHINA BRANCH

I was pleased to learn that the Federal Reserve recently received additional information from the Bank of China. The Federal Reserve is now reviewing the documents.

- o I assure you that we will continue to follow the status of this matter.