Case Number: 2010-1024-F

FOIA MARKER

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Folder Title: China (November 1999 Negotiation) [1]				
Staff Office-Individual: National Economic Council-Lee, Malcolm				
Original OA/ID Number: CF 1177				
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Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. paper	Discussion Proposal: Telecommunications (5 pages)	c. 11/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
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FOLDER TITLE:

China (November 1999 Negotiation) [1]

2010-1024-F
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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]

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THE LUXURY COLLECTION
ITT SHERATON

FACSIMILE

To: MELISSA GREEN / GENE SPERLING
(202) 456-6687

From: MALCOLM LEE

Date: NOV. 16, 1999

Subject: SUMMARY OF US CHINA WTO AGREEMENT

No. of Pages (including this cover sheet): 8

THIS INCORPORATES CHANGES FROM ROBERT CASSIDY. PLEASE FORWARD COPY TO GENE, CHARLENE, CASSIDY + NOVICK.

SEE YOU IN WASHINGTON

SUMMARY OF U.S. - CHINA BILATERAL WTO AGREEMENT

AGRICULTURE

The Agreement provides increased access for U.S. exports across a broad range of commodities and elimination of barriers. Commitments include:

- Significant cuts in tariffs that will be completed by January 2004. Overall average for agricultural products will be 17 percent and for U.S. priority products 14.5 percent.
- Establishment of a tariff-rate quota system for imports of bulk commodities, e.g., wheat, corn, cotton, barley, and rice, that provides a share of the TRQ for private traders. Specific rules on how the TRQ will operate and increased transparency in the process will help ensure that imports occur. Significant and growing quota quantities subject to tariffs that average between 1-3 percent.
- The right to import and distribute products without going through state-trading enterprise or middle-man.
- China has also agreed to the elimination of SPS barriers that are not based on scientific evidence and no export subsides on agricultural products

INDUSTRIAL PRODUCTS

China's commitments will eliminate broad systemic barriers to U.S. exports, such as limits on who can import goods and distribute them in China as well as barriers such as quotas and licenses that restrict imports of U.S. products.

TARIFFS

- Tariffs cut to an average of 9.4 percent overall and 7.1 percent on U.S. priority products.
- China will participate in the Information Technology Agreement (ITA) eliminating all tariffs on products such as computers, telecommunications equipment, semiconductors, computer equipment and other high technology products.
- In the auto sector, China will cut tariffs from the current 100% or 80% level to 25% by 2006, with the largest cuts in the first years after accession.
- Auto parts tariffs will be cut to an average of 10 % by 2006.
- Significant cuts will also be made in the wood and paper sectors, going from present levels of 12-18% on wood and 15-25% on paper down to levels generally between 5 and 7.5%.
- China will also be implementing the vast majority of the chemical harmonization initiative. Under that initiative, tariffs will be at 0, 5.5 and 6.5 percent for products in each category.

ELIMINATION OF QUOTAS AND LICENSES

WTO rules bar quotas and other quantitative restrictions. China has agreed to eliminate these restrictions with phase-ins limited to five years.

- Quotas: China will eliminate existing quotas upon accession for the top U.S. priorities (e.g. optic fiber cable). It will phase-out remaining quotas, generally by 2002, but no later than 2005.

- Quotas will grow from current trade level at a 15% annual rate in order to ensure that market access increases progressively, and reduces the effect of quantitative restrictions.

- Auto quotas will be phased out by 2005, in the interim, the base level quota will be $6 billion (the level prior to China's industrial auto policy) and this will grow by 15% annually until elimination.

RIGHT TO IMPORT AND DISTRIBUTE

Trading rights and distribution are the major priority of the manufacturing sector. At present, China severely restricts trading rights (the right to import and export) and distribution (wholesaling, retailing, maintenance and repair, transportation, etc.) Under the Agreement, China will provide, for the first time, trading rights and distribution rights to U.S. firms. Trading rights will be progressively phased in over three years. Distribution rights will be provided even for China's most restricted distribution sectors such as wholesale, transportation, maintenance and repair. China will provide for trading rights and distribution.

SERVICES

China has made commitments in all major service categories with reasonable transitions to eliminate most foreign equity restrictions (especially in sectors where the U.S. has a strong commercial interest), agreed to accede to the Basic Telecommunications and Financial Services Agreements, and "grandfathering" of current market access for U.S. service providers.

GRANDFATHERING

China will grandfather all existing current market access and activities in all services sectors. This will protect existing American distribution services, financial services, professional and other service providers in China, including those operating under contractual or shareholder agreements or a license, from restrictions as Chinese commitments phase in.

DISTRIBUTION

In China today, foreign firms have no right to distribute products other than those they make in China, or to own or manage distribution networks, wholesaling outlets or warehouses. China also now frequently issues businesses licenses which limit the ability of American firms to conduct marketing, after-sales service, maintenance and repair and customer support. As the section on industrial goods noted, this is a severe barrier to goods exports as well as to services exports.

China's commitments address all these issues. They reflect a comprehensive commitment on distribution, including wholesaling, sales away from a fixed location, retailing, maintenance and repair, and transportation. Thus, Americans will be able to distribute imported products as well as those made in China, offering significant opportunity to expand U.S. exports of goods. As noted above, China will phase out all restrictions on distribution services for most products within three years.

SERVICES AUXILIARY TO DISTRIBUTION

Chinese commitments in services auxiliary to distribution include rental and leasing, air courier, freight forwarding, storage and warehousing, advertising, technical testing and analysis, and packing services. All restrictions will be phased-out in 3 to 4 years, at which time U.S. service suppliers will be able to establish 100% wholly-owned subsidiaries.

TELECOMMUNICATIONS

China now severely restricts sales of telecommunications services and bars foreign investment. China's commitments mark its first agreement to open its telecommunications sector, both to the scope of services and to direct investment in telecommunications businesses. Through these commitments, China will become a member of the Basic Telecommunications Agreement. Specific commitments include:

- Regulatory Principles -- China has agreed to implement the pro-competitive regulatory principles embodied in the Basic Telecommunications Agreement (including cost-based pricing, interconnection rights and independent regulatory authority), and agreed to technology-neutral scheduling, which means foreign suppliers can use any technology they choose to provide telecommunications services.

- Scope of Services -- China will phase out all geographic restrictions for paging in 3 years, value added, and closed user groups in 3 years, mobile/cellular in 5 years and domestic wireline services in 6 years. China's key telecommunications services corridor in Beijing, Shanghai and Guangzhou, which represents approximately 75% of all domestic traffic, will open immediately on accession in all telecommunications services.

- Investment -- Under present circumstances, China allows no foreign investment in telecommunications services. With this agreement, China will allow 49% foreign investment in all services, and will allow 50%foreign ownership for value added in 2 years and paging services in 3 years.

INSURANCE

For insurance, China now restricts foreign companies to operating in Shanghai and Guangzhou. Under the Agreement,

- Geographic Limitations -- China will permit foreign property and casualty firms to insure large-scale risks nationwide immediately upon accession, and will eliminate all geographic limitations for future licenses over five years, allowing access to the key cities of priority U.S. interest in two to three years.

- Scope -- China will expand the scope of activities for foreign insurers to include group, health and pension lines of insurance, which represent about 85% of total premiums, phased in over five years.

- Prudential Criteria -- China agrees to award licenses solely on the basis of prudential criteria, with no economic needs test or quantitative limits on the number of licenses issued.

- Investment -- China agreed to allow 50 percent ownership, remove onerous joint venture requirements on foreign life insurers, and phase out internal branching restrictions. Life insurers may now choose their own joint venture partners (as opposed to the present policy, under which partners are chosen for insurers by Chinese authorities), will allow 50% ownership on accession. For non-life and reinsurance, China will allow 51% ownership on accession and form wholly owned subsidiaries in 2 years.

BANKING

Currently foreign banks are not permitted to do local currency business with Chinese clients (a few can engage in local currency business with their foreign clients). China imposes severe geographic restrictions on the establishment of foreign banks.

- China has committed to full market access in five years for U.S. banks.
- Foreign banks will be able to conduct local currency business with Chinese enterprises starting 2 years after accession.
- Foreign banks will be able to conduct local currency business with Chinese individuals from 5 years after accession.
- Foreign banks will have the same rights (national treatment) as Chinese banks within designated geographic areas.
- Both geographic and customer restrictions will be removed in five years.

SECURITIES

China will permit minority foreign-owned joint ventures to engage in fund management on the same terms as Chinese firms. As the scope of business expands for Chinese firms, foreign joint venture securities companies will enjoy the same expansion in scope of business. Minority joint ventures will be allowed to underwrite domestic securities issues and underwrite and trade in foreign currency denominated securities (debt and equity).

PROFESSIONAL SERVICES

In the professional services, China currently tightly restricts operation of foreign law firms and accounting firms. In the Agreement, China has provided a broad range of commitments, including on legal, accountancy, taxation,management consultancy, architecture, engineering, urban planning,medical and dental, computer-related services. China will permit foreign majority control except for practicing Chinese law (an exception common to many WTO members.) For accountancy, China has agreed to eliminate a mandatory localization requirement and will now allow unrestricted access to its market to professionals licensed as CPAs in China. China has also agreed to apply national treatment in issuing CPA licenses and follow transparent procedures.

AUDIOVISUAL

China's commitments cover the right to distribute video and sound recordings; and cinema ownership and operation. For video and sound recordings, China will allow 49% foreign participation in joint ventures engaged in the distribution of these products. China has also agreed to import 40 films after accession growing to 50 films in three years, of which 20 films will be revenue sharing.

TRAVEL AND TOURISM

Hotels--China will allow unrestricted access to the Chinese market for hotel operators with the ability to set up 100% foreign owned hotels in 3 years, with majority ownership allowed upon accession.

Travel Services -- Foreign travel operators can provide the full range of travel agency services. For travel agency services, China will allow access to government resorts as well as Beijing, Shanghai, Guangzhou, and Xian.

PROTOCOL PROVISIONS

Commitments in China's WTO Protocol and Working Party Report establish rights and obligations enforceable through WTO dispute settlement procedures. We have agreed on key provisions relating to antidumping and subsidies, protection against import surges, technology transfer requirements and offsets as well as practices of state-owned and state-invested enterprises. These rules are of special importance to U.S. workers and business.

China had agreed to implement the TRIMs Agreement upon accession, eliminate and cease enforcing trade and foreign exchange balancing requirements, eliminate and cease enforcing local content requirements, refuse to enforce contracts imposing these requirements; and only impose or enforce laws or other provisions relating to the transfer of technology or other know-how, if they are in accordance with the WTO agreements on protection of intellectual property rights and trade-related investment measures.

These provisions will also help protect American firms against forced technology transfers, as China has also agreed that, upon accession, it will not condition investment approvals, import licenses, or any other import approval process on performance requirements of any kind, including: local content requirements, offsets, transfer of technology, or requirements to conduct research and development in China.

ANTIDUMPING AND SUBSIDIES METHODOLOGY

The agreed protocol provisions ensures that American firms and workers will have strong protection against unfair trade practices including dumping and subsidies. The U.S. and China have agreed that we will be able to maintain our current antidumping methodology (treating China as a non-market economy) in future anti-dumping cases. Moreover, when we apply our countervailing duty law to China we will be able to take the special characteristics of China's economy into account when we identify and measure any subsidy benefit that may exist. This provision will remain in force for 15 years after China's accession to the WTO.

PRODUCT SPECIFIC SAFEGUARD

The agreed provisions for the protocol package also ensure that American domestic firms will have strong protection against rapid increases of imports.

To do this, the Product-Specific Safeguard provision sets up a special mechanism to address increased imports that cause or threaten to cause market disruption to a U.S. industry. China is a major exporting country that enjoys open access to U.S. markets. This mechanism, which is in addition to other WTO Safeguard provisions, differs from traditional safeguards in that it permits China to address imports that are a significant cause of material injury through measures such as voluntary restraints. Moreover, the United States will be able to apply restraints unilaterally based on standards that are lower than those in the WTO Safeguards Agreement. This provision will remain in force for 12 years after China accedes to the WTO.

STATE-OWNED AND STATE-INVESTED ENTERPRISES

The Protocol addresses important issues related to the Chinese government's involvement in the economy. China has agreed that it will ensure that state-owned and state-invested enterprises will make purchases and sales based solely on commercial considerations, such as price, quality, availability and marketability, provide U.S. firms with the opportunity to compete for sales and purchases on non- discriminatory terms and conditions.

China has also agreed that it will not influence these commercial decisions (either directly or indirectly) except in a WTO consistent manner. With respect to applying WTO rules to state-owned and state-invested enterprises, we have clarified in several ways that these firms are subject to WTO disciplines.

- Purchases of goods or services by these state-owned and state-invested enterprises are not government procurement and thus are subject to WTO rules.

- We have clarified the status of state-owned and state-invested enterprises under the WTO Agreement on Subsidies and Countervailing Measures. This will help ensure that we can effectively apply our trade law to these enterprises when it is appropriate to do so.

TEXTILES

China's protocol package will include a provision drawn from our 1997 bilateral textiles agreement, which permits U.S. companies and workers to respond to increased imports of textile and apparel products. This textile safeguard will be in effect after the WTO Agreement on Textiles and Clothing expires and will remain in effect until December 31, 2008.

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*** TX REPORT ***
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China had agreed to implement the TRIMs Agreement upon accession, eliminate and cease enforcing trade and foreign exchange balancing requirements, eliminate and cease enforcing local content requirements, refuse to enforce contracts imposing these requirements; and only impose or enforce laws or other provisions relating to the transfer of technology or other know-how, if they are in accordance with the WTO agreements on protection of intellectual property rights and trade-related investment measures.

These provisions will also help protect American firms against forced technology transfers, as China has also agreed that, upon accession, it will not condition investment approvals, import licenses, or any other import approval process on performance requirements of any kind, including: local content requirements, offsets, transfer of technology, or requirements to conduct research and development in China.

ANTIDUMPING AND SUBSIDIES METHODOLOGY

The agreed protocol provisions ensures that American firms and workers will have strong protection against unfair trade practices including dumping and subsidies. The U.S. and China have agreed that we will be able to maintain our current antidumping methodology (treating China as a non-market economy) in future anti-dumping cases. Moreover, when we apply our countervailing duty law to China we will be able to take the special characteristics of China's economy into account when we identify and measure any subsidy benefit that may exist. This provision will remain in force for 15 years after China's accession to the WTO.

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TEXTILES

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November 15, 1999

China WTO Agreement
April Comparison

In April, we were unable to conclude agreement because there remained a number of significant unresolved issues in our bilateral negotiations with China on its accession to the WTO. These included financial services, audio-visual services and important issues relating to rules governing dumped products and import surges from China ("protocol issues").

In many of these areas we achieved clear gains, in other areas we responded to Chinese concerns but found other ways to strengthen the commitment.
alternative

Progress Since April

- ***Import Surge Mechanism***: No final agreement in April. China has agreed to a safeguard mechanism for 12 years following accession that can be used to address increases in imports from China. Permits us to take unilateral action solely against imports from China based upon a lower threshold of injury and causation than under our general import surge law, Section 201. The Section 201 safeguard law permits domestic industries and workers to seek temporary import relief from imports from all foreign sources, but not from a single foreign source. This special safeguard allows parties to seek import relief against Chinese imports alone.

- ***Antidumping***: No final agreement in April. The provision ensures that we can continue to apply our current non-market economy methodology in antidumping cases to China for 15 years without the risk of a legal challenge . Key issue for a broad range of constituencies including steel, agriculture, and labor.

- ***Motion Pictures:*** In April, China made no commitments to import foreign films on a revenue sharing basis. China has now agreed to allow import 20 films on a revenue-sharing basis in each of the three years after China's accession.

- ***Internet Access:*** China's telecom services commitments now clearly include internet services and internet telephony. The Agreement confirms that this rapidly growing market for internet services will be liberalized at the same rate as other key telecommunications services of interest to our providers.

- ***Satellites:*** China has clarified that it will permit provision of telecommunications services via satellite. Commitments were unclear in April.

- ***Auto Financing:*** China has now made commitments we sought in April ~~to~~ for non-bank foreign financial institutions to provide auto financing upon accession. Under this agreement, foreign companies can now sell, distribute, finance, maintain and repair automobiles.

- ***Securities***: Affirmed April tentative commitment that minority foreign-owned joint ventures can engage in fund management on the same terms as Chinese firms. As the scope of business expands for Chinese firms, foreign joint venture securities companies will enjoy the same expansion in scope of business. Minority joint ventures will be allowed to underwrite domestic securities issues and underwrite and trade in foreign currency denominated securities (debt and equity).

- ***Capital Markets Dialogue***: China and the U.S. recently announced a bilateral dialogue on financial and capital markets development. With the high priority placed on reforming the state owned enterprise sector and expanding the availability of private sector finance, China and the United States will focus attention on deepening the securities and banking sectors, including the role of foreign financial services firms in their markets.

Adjustments

- *Auto Tariffs*: China and the United States agreed to accelerated tariff reduction in exchange for a slightly longer phase in period. The effect of this agreement is that China will now reduce automobile tariffs from the current 80-100% levels to 25% in 2006 (rather than 2005), but with tariff reduction frontloaded to expand market access beyond the April commitments in the near term. With China's commitments to allow auto repair and maintenance, foreign companies can now sell, distribute, finance, maintain and repair automobiles.

- *Auto Parts*: China will reduce auto parts tariffs to an average of 10% by July, 2006.

- *Telecom*: In April China agreed to phase out geographic restrictions on paging and value added services in 4 years. China has now agreed to phase out such restrictions in 2 years. In April, China agreed to allow 35% foreign ownership for value added and paging services two years after accession, and 51% four years after accession. China will now allow 49% in the first year 50% foreign ownership in the ~~first~~ second year of accession.

- *Insurance:* China ~~will allow~~ now permits 50% foreign equity share [~~with management control~~] (rather than 51% equity share). China ~~now permits~~ has agreed to open up reinsurance and ~~agreed~~ to ~~broader~~ eliminate geographic ~~coverage than in April~~. restrictions in 2003 ~~ad~~ instead of 2005.

saht
Small unrealised union terms
in serial of fixed errors, They were solved satisfactorily
through causal analysis were resolved at position
early

~~set~~ no negatives
strong signal

(1) careful analysis.
choose signal, small unrealised union
while unstable,
can't detect stagnation
assembled sale union carefully

Safeguards / AD / norms

China did not agree to allow foreign ~~majority~~ companies to hold a majority equity share.

- *[Distribution of Software Entertainment, Video and Sound Recordings* ~~In April, China only allowed joint ventures. China will now permit foreign majority ownership in 3 years.]~~ ~~China confirmed~~ commitment to ~~allow JVs~~

Status quo April

~~Held Harmless~~ (FYI for Background)

- ***Auto Repair and Maintenance Services:*** Foreign investors will be able to establish independent establishments and service all autos. Currently, companies can only service what they manufacture.

- ***Banking (this is the same as April, gain is auto finance)***: We maintained the same strong banking package we had last April. Currently foreign banks are not permitted to do local currency business with Chinese clients (a few can engage in local currency business with their foreign clients). China imposes severe geographic restrictions on the establishment of foreign banks.

  - China has committed to full market access in five years for U.S. banks.
  - Foreign banks will be able to conduct local currency business with Chinese enterprises starting 2 years after accession.
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  - Foreign banks will have the same rights (national treatment) as Chinese banks within designated geographic areas.
  - Both geographic and customer restrictions will be removed in five years.

majority owned cinema theater

Aud. — ~~same~~ worse as April! + 20 films on rev. share basis annual

F.S. — + auto financing

Safeguards — ?

ML, 756

Dear Colleagues:

These documents (2) will be discussed at the 7 a.m. breakfast. At 7:30 we will make the changes and put the documents into the system "on hold" pending actual wheels up" from Beijing.

The release will be issued simultaneously in Beijing and Washington and the Q&A will be provided to all the key people.

Malcolm and Tom

FOR INTERNAL USE ONLY

DRAFT Press Release
11/13/1999
revision date: 11/13/99 00:55 CNT

Contact: Tom Tripp
Helaine Klasky
Amy Stilwell
Bill Palmer (Beijing)

U.S. CONCLUDES CURRENT ROUND OF DISCUSSIONS WITH CHINA ON WTO ACCESSION

Beijing, November 13, 1999 – The United States delegation visiting China this week to discuss WTO accession with the government here announced today it had concluded its current round of talks and was returning to the United States today.

United States Trade Representative Charlene Barshefsky, who led the U.S. delegation, said, "I am disappointed we were not able to make significant progress in our talks with the Chinese leadership." Ambassador Barshefsky added, "The substance has always been more important than the timing, but clearly, the time was not right for China to seriously consider our proposals."

Mr. ~~Gene Sperling~~, director of the National Economic Council, who accompanied Ambassador Barshefsky, said, "President Clinton asked us to explore whether there was any possibility of reaching an acceptable agreement on terms for China's accession to the WTO before the Seattle Ministerial." Mr. Sperling added, "That possibility now seems extremely remote."

The U.S. delegation departed from China after three days of talks with officials of China's Ministry of Foreign Trade and Economic Cooperation. There are no further talks planned before the opening of the World Trade Organization Ministerial conference in Seattle on November 30.

- 30 -

NOT FOR RELEASE

DRAFT 1

China WTO
Press Guidance
November 13, 1999

Q: What happened?

- President Clinton sent us here to explore whether there was any possibility of reaching agreement on acceptable terms for China's accession to the WTO before the Seattle Ministerial.

- We have shown considerable flexibility, but regret to report that China does not appear to be prepared at this time to take the steps necessary to enter the WTO on acceptable commercial terms.

Q: Were you close?

- If we were close, we would not be leaving. It is clear that China is not prepared at this time make the commitments necessary for accession.

Q: What were the specific stumbling blocks?

- We were unable to reach agreement in April because significant issues remained unresolved, both in the area of access to China's market and with respect to our ability to protect U.S. workers from unfair trade and surges of Chinese imports.

- A substantial number of these issues remain unresolved.

Q: Did China claw back on its April commitments?

- What is important is where China is now and where China is prepared to go. At this time, China's commitments are insufficient to form the basis for a commercially viable accession agreement.

Q: What are the next steps? Is all hope lost for accession by the Seattle WTO Ministerial?

- The Ministerial is just over two weeks away. The United States is hosting over 100 nations. This is an event that will define the multilateral trade agenda for the coming global trade round. We must turn our full attention to ensuring its success.

- That said, China knows what needs to be done. We have made it explicit during this trip. It is up to China. But as we have consistently said, substance is more important than timing.

Q: Did President Clinton misjudge by sending this high level delegation?

- No. China's accession to the WTO on the right terms is enormously important - to China, to the United States, and to the World Trading System.

- President Clinton wanted to know whether China is prepared to take the necessary steps. Sending this delegation to Beijing was both prudent and necessary.

Q: What did you get from the Chinese for the "flexibility" you said you showed?

- Not enough to constitute a commercially viable agreement.

Q: Do you regret not concluding the agreement in April?

- No. Significant issues remained unresolved in April, just as now.

Q: The Chinese claim that the U.S. has set the bar unrealistically high. Is that true?

- The terms for accession must be commercially viable. That is not an unrealistic bar.

For Talking Points
Recommend Pure

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Withdrawal/Redaction Marker
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001. paper	Discussion Proposal: Telecommunications (5 pages)	c. 11/1999	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1177

FOLDER TITLE:

China (November 1999 Negotiation) [1]

2010-1024-F
vz1859

RESTRICTION CODES

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
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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]

~~I welcome the strong ~~historic~~ agreement reached today between~~

~~the UNITED STATES and the PEOPLES REPUBLIC OF CHINA~~

~~THAT PROVIDES A SOLID FOUNDATION~~
~~ON REGARDING CHINA'S ACCESSION TO THE WORLD TRADE~~

~~ORGANIZATION.~~

~~I am pleased that~~
~~The U.S. + China have~~
I welcome the U.S.-China Bilateral Access agreement
signed by ~~Ambassador Barshefsky and~~ the US + China today

November 14, 1999
4:30 PM

China WTO Agreement
April Comparison
Talking Points

In April, we were unable to conclude agreement because there remained a number of significant unresolved issues in our bilateral negotiations with China on its accession to the WTO. These included financial services, audio-visual services and important issues relating to rules governing dumped products and import surges from China ("protocol issues").

In many of these areas we achieved clear gains, in other areas we responded to Chinese concerns but were able to find other ways to strengthen the commitment.

Progress Since April

- ***Import Surge Mechanism***: No final agreement in April. China has agreed to a safeguard mechanism for 12 years following accession that can be used to address increases in imports from China. Permits us to take unilateral action solely against imports from China based upon a lower threshold of injury and causation than under our general import surge law, Section 201. The Section 201 safeguard law permits domestic industries and workers to seek temporary import relief from imports from all foreign sources, but not from a single foreign source. This special safeguard allows parties to seek import relief against Chinese imports alone.

- ***Antidumping***: No final agreement in April. The provision ensures that we can continue to apply our current non-market economy methodology in antidumping cases to China for **X** years without the risk of a legal challenge . Key issue for a broad range of constituencies including steel, agriculture, and labor.

- ***Motion Pictures:*** In April, China made no commitments to import foreign films on a revenue sharing basis. China has now agreed to import 20 films on a revenue-sharing basis in each of the three years after China's accession.

- ***Internet Access:*** China's telecom services commitments now clearly include internet services and internet telephony. The Agreement confirms that this rapidly growing market for internet services will be liberalized at the same rate as other key telecommunications services of interest to our providers.

- ***Satellites:*** China has clarified that it will permit provision of telecommunications services via satellite. Commitments were unclear in April.

- ***Auto Financing:*** China has now made commitments we sought in April to non-bank foreign financial institutions to provide auto financing upon accession. Under this agreement, foreign companies can now sell, distribute, finance, maintain and repair automobiles.

- ***Securities***: Affirmed April tentative commitment that minority foreign-owned joint ventures can engage in fund management on the same terms as Chinese firms. As the scope of business expands for Chinese firms, foreign joint ventures will enjoy the same expansion in scope of business. Minority joint ventures will also be allowed to underwrite domestic securities issues and underwrite and trade in foreign currency denominated securities (debt and equity).

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Adjustments

- *Auto Tariffs*: China and the United States agreed to accelerated tariff reduction in exchange for a slightly longer phase in period. The effect of this agreement is that China will now reduce automobile tariffs from the current 80-100% levels to 25% in 2006 (rather than 2005), but with tariff reduction frontloaded to expand market access beyond the April commitments in the near term. With China's commitments to allow auto repair and maintenance, foreign companies can now sell, distribute, finance, maintain and repair automobiles.

- *Auto Parts*: China will reduce auto parts tariffs to an average of 10% by July, 2006 on a front-loaded basis.

- *Telecom*: In April China agreed to phase out geographic restrictions on paging and value added services in 4 years. China has now agreed to phase out such restrictions in 2 years. In April, China agreed to allow 35% foreign ownership for value added and paging services two years after accession, and 51% four years after accession. China will now allow [49%][50%] foreign ownership in the first year of accession.

- *Insurance:* China will allow [50%] foreign equity share with management control rather than the 51% equity share. China now permits reinsurance and agreed to broader geographic coverage than in April.

- *[Distribution of Software Entertainment, Video and Sound Recordings* – In April, China only allowed joint ventures. China will now permit foreign majority ownership in 3 years.]

Held Harmless (FYI for Background)

- ***Auto Repair and Maintenance Services:*** Foreign investors will be able to establish independent establishments and service all autos. Currently, companies can only service what they manufacture.

- ***Banking (this is the same as April – gain is auto finance***): We maintained the same strong banking package we had last April. Currently foreign banks are not permitted to do local currency business with Chinese clients (a few can engage in local currency business with their foreign clients). China imposes severe geographic restrictions on the establishment of foreign banks.

    - China has committed to full market access in five years for U.S. banks.
    - Foreign banks will be able to conduct local currency business with Chinese enterprises starting 2 years after accession.
    - Foreign banks will be able to conduct local currency business with Chinese individuals from 5 years after accession.
    - Foreign banks will have the same rights (national treatment) as Chinese banks within designated geographic areas.
    - Both geographic and customer restrictions will be removed in five years.

November 14, 1999

China's WTO Accession -- Key Market Opening Commitments*

SECTOR	PRE-WTO BARRIERS	WTO BENEFITS
Agriculture	22.1% overall tariff; 31% priority tariff	Average tariff cut to 17%; Overall average tariff cut to 14.5% in U.S. priority sectors
	Beef 45%	12%
	Pork 20%	12%
	Poultry 20%	10%
	Citrus 40%	12%
	Grapes 40%	13%
	Apples, Pears, Cherries and Peaches 30%	10%
	Almonds 30%	10%
	Wine and Liquor (Except Gin and Geneva) 65%	20%
	Frozen French Fries 25%	15%
	Frozen Hash Browns 25%	13%
	Ginseng 40%	10%
	Yellow Grease 40%	10%
	Barley Malt 30%	10%
	Cheese 50%	12%
	Ice Cream 45%	19%
Tariff Cuts in Priority Areas	**Information Technology** 13.3%	to 0%
	Wood 12-18%	5 - 7.5%
	Paper 15-25%	5 - 7.5%
	Fish 20%	to 10% on products of importance to United States
	Distilled Spirits 61%	to 10%
	Chemicals: up to 35%	Between 5.5% and 6.5% for 70% of chemicals
Import Quotas	Restrictive quotas for automobiles, fertilizer, medical equipment, textile machinery, and a wide range of other products	China will eliminate existing quotas for top U.S. priorities such as fertilizer and fiber optic cable. The remainder will be phased-out by 2002 or 2005
Trading Rights	China strictly limited the number and kinds of companies allowed to conduct import and export business	China will progressively phase-in the right to import and export products throughout the country so that at the end of three years, all Chinese and foreign firms and foreign individuals will be able to do this
Distribution Rights	Distribution rights for products made in China only	Distribution rights in all sectors within five years
	No right to own or manage distribution networks	Permit 100% foreign ownership for most within 2-3 years, maximum 5 years

** This is not a comprehensive list of points negotiated under the U.S. - China bilateral accession agreement*

Grandfathering	China has allowed the establishment of foreign ventures with the approval of local authorities, but without action by the central government, thus jeopardizing the companies' continued operation	China will grandfather all existing current market access and activities in all service sectors

Telecom	Sales and investment of telecom services restricted	
		Phase-out of geographic restrictions for **paging** and **value-added** services within **2** years
		Phase-out of geographic restrictions on **mobile/cellular** services within **5** years
		Phase-out of geographic restrictions on **domestic wireline** services within **6** years
		X% foreign ownership allowed for value-added and **paging** services within **one** year of accession
		The **internet services market** will be liberalized at the same pace as other key telecommunications services
		China will permit provision of telecommunications services via **satellite**

Automobiles	Restrictions on import, sales, distribution and repair of automobiles and parts	Foreign entities will have right to sell, distribute, maintain and repair automobiles
Auto Tariffs	Range from 80%-100%	Front loaded tariff cuts to 25% by 2006
Auto Financing	Only Chinese banks permitted to offer consumer auto financing	China will permit non-bank foreign financial service institutions to provide auto financing upon accession
Auto Repair and Maintenance Services	Currently, companies can only service what they manufacture	Foreign investors will be able to establish independent establishements and service all autos

Banking	Foreign Banks not permitted to conduct local currency business with Chinese clients	Market access and national treatment for U.S. banks in five years
		Foreign banks will be able to conduct local currency business with Chinese enterprises starting two years after accession
		Foreign banks will beable to conduct local currency business with Chinese individuals from 5 years after accession
		Both geographic and customer restrictions will be removed in 5 years

Securities	Only one minority foreign-owned joint venture has limited operations as an investment bank	Minority foreign-owned joint ventures can engage in fund management on the same terms as Chinese firms
		Minority foreign-owned joint ventures will be allowed to underwrite domestic securities issues and underwrite and trade in foreign currency denominated securities (debt and equity)

Insurance	Foreign companies limited in number and restricted to Shanghai and Guangzhou	China will eliminate all geographic restrictions within **three** years, and open up Beijing upon accession
		All qualified insurers will be issued licenses
		China will allow reinsurance and insurance of large scale commercial risk
		China will allow 50% foreign equity share with management control

Audio Visual	Distribution of sound recordings, videos, movies, books, and magazines restricted	China will allow 49% foreign participation for the distribution of video and sound recordings
		China will allow **majority** foreign ownership in 3 years for construction, renovation, ownership and operation of cinemas
	No commitments on number of revenue-sharing films imported	China agreed to import on a revenue sharing basis 20 films per year for three years

Travel & Tourism	Foreign firms subject to geographic limitations and cannot establish travel agencies	China will allow full market access to the Chinese market for certain hotel operators within 3 years
		Foreign travel operators can provide full range of travel agency services

Protocol Commitments		Establishes rules and principles for China's trade regime
	Antidumping	Permits the United States to continue to apply its current non-market methodology in antidumping cases to China for **X** years without risk of a legal challenge
	Import Surge Mechanism (Product Specific Safeguard)	Ensures that U.S. domestic firms will have stronger protection against rapid increases in iimports
	Investment and Technology Transfer	Ensures fair treatment for U.S. exports and U.S. investors, including the right to import U.S.-made parts into China, elimination of local content requirements, and elimination of or non-enforcement of contracts imposing trade and foreign exchange balancing requirements, offsets, and performance requirements
	State-Owned and State-Invested Enterprises	China will ensure that state-owned and state invested enterprises will make purchases solely on commercial considerations and provide U.S. firms with the opportunity to compete on nondiscriminatory terms and conditions; clarifies their status under the subsidies agreement

Tariff Rate Quotas	Wheat, corn, rice, cotton, barley and vegetable oil were subject to state trading and restrictive quotas	
	Soy Oil	Elimination of state trading, 9 percent duty
	Wheat: 7.3 million metric tons	9.6 million metric tons, 10 percent private share
	Corn: 4.5 million metric tons	7.2 million metric tons, 25% - 40% private share
	Short and Medium Grained Rice: 1.3 million metric tons	2.6 million metric tons, 50% private share

	Long Grained Rice: 1.3 million metric tons	2.6 million metric tons, 10% private share
	Cotton: 743,000 million metric tons	894,000 million metric tons, 67% private share
	Barley:	Elimination of state trading, 9 percent duty
	Minor Vegetable Oils:	No Tariff Rate Quota, 10% duty only
		Elimination of Export Subsidies

TO: TOM TRIPP

DRAFT TALKING POINTS FOR GENE SPERLING

(Note: Virtually all excerpts taken from the April 8th press conference. Be sure to double check fact/figures so that they match the reality, particularly on those issues were outstanding in April)

- We're particularly pleased that we have successfully completed talks on China's accession to the World Trade Organization. Thanks to the excellent work of our Trade Representative Charlene Barshefsky, and the extensive personal involvement of Premier Zhu and President Clinton.

- The agreement covers four principal areas: agriculture, industrial goods, services and WTO rules. This concludes the work begun earlier this year, maintaining the quality of China's earlier commitments and reaching mutually acceptable agreements on those a significant movement and concessions were made in a wide array of areas, beyond what could have been expected and concerning many issues that had been unresolved for many years.

- We were able to make progress on many of the unresolved issues of April, including, market access and banking, consumer auto financing, securities, audio-visual and textiles. Likewise, we made progress in many of the protocol issues including, __________

- What has been achieved thus far is quite comprehensive. It covers all of agriculture, industrial goods and services. Market access covers unfair trade practices, including quotas, other non-tariff measures, the application of nonscientific agricultural standards, discriminatory regulatory processes, export subsidies and other barriers to trade. It covers the tariffs and other barriers China applies at the border. It eliminates the limits China places on trading rights and distribution within their market. It eliminates unjustified agricultural barriers and it addresses the limits on the rights of service providers to set up businesses in China.

- Second, the market access commitments grant no special favors. For example, it requires China to reduce its trade barriers to levels comparable to those of major trade partners, including many industrial countries. There are no special or developing country deals in this agreement -- none. For example, China's industrial tariffs will fall to an overall average of 9.5 percent and in the U.S. priority areas, which are thousands of products, an average of 7.1 percent. This is substantially below the rates of virtually every developing country and are quite comparable to rates in major industrialized trade partners, like Australia and New Zealand.

- Third, the market access commitments that have thus far been made will be fully enforceable. All of the commitments are absolutely specific, measurable. The are enforceable not just through our own trade laws, but WTO dispute settlement and other special mechanisms, including some of the protocol issues that I will address, and fourth, I think the results you will see will be very rapid.

- On accession in every area without exception, China would open its markets -- begin to open its markets from day one. The phase-in of further broad concessions in these areas is with very few exceptions limited to a maximum of five years, and almost in all cases -- in many cases, the total transition time ranges from one to three years. This is very, very fast relative to the accessions we have been doing in this administration, let alone relative to earlier accessions.

- Just a few quick-hit facts, and then you can ask questions. In agriculture, as you know, China will completely eliminate its bans on U.S. agricultural products. China's agricultural tariffs will decline to about 17 percent; the global average is near 40 percent. All tariff cuts will occur within a maximum four-year time frame. And every tariff cut is bound, which means China cannot raise the tariffs. That's very important; no developing countries have totally bound tariffs, China will.

- China will, in addition, liberalize significantly its purchase of bulk agricultural commodities. These are the big ticket items -- wheat, corn, cotton, soybeans, so on and so forth. We have set up a tariff quota, a tariff rate quota system under which tariffs on very, very huge volumes of agricultural products will be between one and three percent, meaning China will buy essentially at world market prices. This opens tremendous, tremendous opportunities for us.

- And on export subsidies, China will no longer provide any export subsidies. This is very significant for things like cotton and rice, but also because that means China can join us in any launch of the new round if they're a member in a prohibition globally on export subsidies. This is vital, particularly in regards to the European Union.

- On industrial goods, China will grant essentially full trading rights and distribution, the right to import and export directly without Chinese middlemen and to market through distribution wholesale, retail -- you know, after-sale service, repair, maintenance, transport, the entire range. There is no distribution-related service that is excluded. Most of these barriers will be gone within three years.

- On tariff cuts, China will cut their tariffs on U.S.- priority items, which is thousands of items, to an average of 7.1 percent, as I said. Two-thirds of all the cuts will occur within two years, within the first two years. The rest no longer than five. China will also do the information technology agreement, that's zero for zero tariffs. They will do it rapidly enough so they are on par with the other countries to it, meaning most of the phaseouts China will do will occur by 2003.

- Autos, wood, paper, chemicals -- there's massive tariff reductions, and I won't go through them. And on non-tariff barriers, China will eliminate all quotas and all quantitative measures. In priority U.S. areas, it will be immediate upon accession in everything else we care about within two years, and other things we don't care about within five years.

- And last, on services, banking and securities remain under discussion, though even there we've made quite significant progress on the banking side. But consumer financing for auto purchases is important because we've put together I think a very strong auto vehicle package. And consumer financing for auto purchases needs to be resolved favorably. I think it will be, but we're not quite there yet.

- With respect to securities, China has offered a grandfather of existing rights. ***Add language***

- Let me just do one service sector as an example of the specificity, and you can read your fact sheets for the rest. Let me take insurance. Immediately on accession, insurance companies can offer large-scale risk insurance throughout China. Also immediately, China will grant insurance licenses only on prudential factors. Within three years, China will phase out all restrictions on internal branching, and it will remove restrictions on majority control and on joint ventures. Within four years, foreign companies can offer group insurance, which is 75 percent of all insurance sold in China, and within five years, health and pension lines of insurance.

- This is an absolutely all-inclusive agreement. I use it as an example because it goes year by year, commitment by commitment, phase-in by phase-in -- very highly particularized.

- Telecom -- the other sectors are quite similar. Let me just say on telecom, I'm very pleased that for the first time China will allow direct investment in all telecom facilities, and foreign ownership with respect to value-added services and paging.

- Last, let me just touch on protocol issues. Most are completed, a few need some need more work *add particulars*. First, specific protocol language on a product-specific safeguard, so that if there are surges of imports from China, they can be addressed in a China-specific manner. Second, agreement on continued U.S. use of its non-market economy dumping laws -- these are special rules that will apply in dumping cases.

- Third, agreement on investment issues in China. China has agreed to eliminate requirements that companies export what they make in China, or use Chinese parts or other products when they manufacture there. Our companies also will no longer have to agree to offsets to invest in China, or such other requirements.

- Fourth, specific protocol language committing China to end all requirements for technology transfer for U.S. companies to invest in China. This is a very unique feature. Fifth, the protocol addresses issues of special concern due to the nature of the Chinese economy. State trading companies and state-invested enterprises must operate solely on commercial terms, and these companies' purchases will not be considered to be government procurement -- so they must be governed by the full rules of trade negotiated, not by any special rules or altered regime.

DRAFT Nov. 15 5:30 am

Statement by the President
U.S.-China Bilateral WTO Accession Agreement

I am very pleased that the United States and the People's Republic of China have concluded a strong bilateral WTO Accession Agreement. This agreement constitutes a major step toward bringing China into the World Trade Organization, and a profound and historic step forward in the relationship between the United States and the People's Republic of China.

This agreement is good for America, good for China and good for the world economy. Today, China has embraced principles of economic openness, innovation and competition that will bolster China's economic reforms and advance the rule of law. President Jiang Zemin and Premier Zhu Rongji have shown genuine leadership in committing China to open its markets and abide by global rules of fair trade. In opening China's economy, the agreement will create unprecedented opportunities for American farmers, workers and companies to compete successfully in China's market, while bringing increased prosperity to the people of China.

This is more than just an ordinary trade agreement. It sets a standard for many other areas where the United States and China can cooperate, such as nonproliferation, regional security, environmental protection, and human rights. With this agreement, the overall relationship between our countries is strengthened.

I want to thank U.S. Trade Representative Barshefsky, National Economic Advisor Gene Sperling, USTR General Counsel Robert Novick, Assistant USTR Robert Cassidy and the entire U.S. negotiating team for their hard work and dedication. On the basis of this excellent agreement, I will work hard with other countries to gain China's entry into the World Trade Organization and undertake an all-out effort to work with Congress to secure permanent Normal Trade Relations for China.

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November 14, 1999
4:30 PM

China WTO Agreement
April Comparison
Talking Points

In April, we were unable to conclude agreement because there remained a number of significant unresolved issues in our bilateral negotiations with China on its accession to the WTO. These included financial services, audio-visual services and important issues relating to rules governing dumped products and import surges from China ("protocol issues").

In many of these areas we achieved clear gains, in other areas we responded to Chinese concerns but were able to find other ways to strengthen the commitment.

Progress Since April

- ***Import Surge Mechanism***: No final agreement in April. China has agreed to a safeguard mechanism for 12 years following accession that can be used to address increases in imports from China. Permits us to take unilateral action solely against imports from China based upon a lower threshold of injury and causation than under our general import surge law, Section 201. The Section 201 safeguard law permits domestic industries and workers to seek temporary import relief from imports from all foreign sources, but not from a single foreign source. This special safeguard allows parties to seek import relief against Chinese imports alone.

- ***Antidumping***: No final agreement in April. The provision ensures that we can continue to apply our current non-market economy methodology in antidumping cases to China for **X** years without the risk of a legal challenge . Key issue for a broad range of constituencies including steel, agriculture, and labor.

- ***Motion Pictures:*** In April, China made no commitments to import foreign films on a revenue sharing basis. China has now agreed to import 20 films on a revenue-sharing basis in each of the three years after China's accession.

- ***Internet Access:*** China's telecom services commitments now clearly include internet services and internet telephony. The Agreement confirms that this rapidly growing market for internet services will be liberalized at the same rate as other key telecommunications services of interest to our providers.

- ***Satellites:*** China has clarified that it will permit provision of telecommunications services via satellite. Commitments were unclear in April.

- ***Auto Financing:*** China has now made commitments we sought in April to non-bank foreign financial institutions to provide auto financing upon accession. Under this agreement, foreign companies can now sell, distribute, finance, maintain and repair automobiles.

- ***Securities***: Affirmed April tentative commitment that minority foreign-owned joint ventures can engage in fund management on the same terms as Chinese firms. As the scope of business expands for Chinese firms, foreign joint ventures will enjoy the same expansion in scope of business. Minority joint ventures will also be allowed to underwrite domestic securities issues and underwrite and trade in foreign currency denominated securities (debt and equity).

- ***Capital Markets Dialogue***: China and the U.S. recently announced a bilateral dialogue on financial and capital markets development. With the high priority placed on reforming the state owned enterprise sector and expanding the availability of private sector finance, China and the United States will focus attention on deepening the securities and banking sectors, including the role of foreign financial services firms in their markets.

Adjustments

- *Auto Tariffs*: China and the United States agreed to accelerated tariff reduction in exchange for a slightly longer phase in period. The effect of this agreement is that China will now reduce automobile tariffs from the current 80-100% levels to 25% in 2006 (rather than 2005), but with tariff reduction frontloaded to expand market access beyond the April commitments in the near term. With China's commitments to allow auto repair and maintenance, foreign companies can now sell, distribute, finance, maintain and repair automobiles.

- *Auto Parts*: China will reduce auto parts tariffs to an average of 10% by July, 2006 on a front-loaded basis.

- *Telecom*: In April China agreed to phase out geographic restrictions on paging and value added services in 4 years. China has now agreed to phase out such restrictions in 2 years. In April, China agreed to allow 35% foreign ownership for value added and paging services two years after accession, and 51% four years after accession. China will now allow [49%][50%] foreign ownership in the first year of accession.

- *Insurance:* China will allow [50%] foreign equity share with management control rather than the 51% equity share. China now permits reinsurance and agreed to broader geographic coverage than in April.

- *[Distribution of Software Entertainment, Video and Sound Recordings* – In April, China only allowed joint ventures. China will now permit foreign majority ownership in 3 years.]

Held Harmless (FYI for Background)

- ***Auto Repair and Maintenance Services:*** Foreign investors will be able to establish independent establishments and service all autos. Currently, companies can only service what they manufacture.

- ***Banking (this is the same as April – gain is auto finance)***: We maintained the same strong banking package we had last April. Currently foreign banks are not permitted to do local currency business with Chinese clients (a few can engage in local currency business with their foreign clients). China imposes severe geographic restrictions on the establishment of foreign banks.

  - China has committed to full market access in five years for U.S. banks.
  - Foreign banks will be able to conduct local currency business with Chinese enterprises starting 2 years after accession.
  - Foreign banks will be able to conduct local currency business with Chinese individuals from 5 years after accession.
  - Foreign banks will have the same rights (national treatment) as Chinese banks within designated geographic areas.
  - Both geographic and customer restrictions will be removed in five years.

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November 14, 1999

China's WTO Accession -- Key Market Opening Commitments*

SECTOR	PRE-WTO BARRIERS	WTO BENEFITS
Agriculture	22.1% overall tariff; 31% priority tariff	Average tariff cut to 17%; Overall average tariff cut to 14.5% in U.S. priority sectors
	Beef 45%	12%
	Pork 20%	12%
	Poultry 20%	10%
	Citrus 40%	12%
	Grapes 40%	13%
	Apples, Pears, Cherries and Peaches 30%	10%
	Almonds 30%	10%
	Wine and Liquor (Except Gin and Geneva) 65%	20%
	Frozen French Fries 25%	15%
	Frozen Hash Browns 25%	13%
	Ginseng 40%	10%
	Yellow Grease 40%	10%
	Barley Malt 30%	10%
	Cheese 50%	12%
	Ice Cream 45%	19%
Tariff Cuts in Priority Areas	**Information Technology** 13.3%	to 0%
	Wood 12-18%	5 - 7.5%
	Paper 15-25%	5 - 7.5%
	Fish 20%	to 10% on products of importance to United States
	Distilled Spirits 61%	to 10%
	Chemicals: up to 35%	Between 5.5% and 6.5% for 70% of chemicals
Import Quotas	Restrictive quotas for automobiles, fertilizer, medical equipment, textile machinery, and a wide range of other products	China will eliminate existing quotas for top U.S. priorities such as fertilizer and fiber optic cable. The remainder will be phased-out by 2002 or 2005
Trading Rights	China strictly limited the number and kinds of companies allowed to conduct import and export business	China will progressively phase-in the right to import and export products throughout the country so that at the end of three years, all Chinese and foreign firms and foreign individuals will be able to do this
Distribution Rights	Distribution rights for products made in China only	Distribution rights in all sectors within five years
	No right to own or manage distribution networks	Permit 100% foreign ownership for most within 2-3 years, maximum 5 years

** This is not a comprehensive list of points negotiated under the U.S. - China bilateral accession agreement*

Grandfathering	China has allowed the establishment of foreign ventures with the approval of local authorities, but without action by the central government, thus jeopardizing the companies' continued operation	China will grandfather all existing current market access and activities in all service sectors

Telecom	Sales and investment of telecom services restricted	
		Phase-out of geographic restrictions for **paging** and **value-added** services within **2** years
		Phase-out of geographic restrictions on **mobile/cellular** services within **5** years
		Phase-out of geographic restrictions on **domestic wireline** services within **6** years
		X% foreign ownership allowed for value-added and **paging** services within **one** year of accession
		The **internet services market** will be liberalized at the same pace as other key telecommunications services
		China will permit provision of telecommunications services via **satellite**

Automobiles	Restrictions on import, sales, distribution and repair of automobiles and parts	Foreign entities will have right to sell, distribute, maintain and repair automobiles
Auto Tariffs	Range from 80%-100%	Front loaded tariff cuts to 25% by 2006
Auto Financing	Only Chinese banks permitted to offer consumer auto financing	China will permit non-bank foreign financial service institutions to provide auto financing upon accession
Auto Repair and Maintenance Services	Currently, companies can only service what they manufacture	Foreign investors will be able to establish independent establishements and service all autos

Banking	Foreign Banks not permitted to conduct local currency business with Chinese clients	Market access and national treatment for U.S. banks in five years
		Foreign banks will be able to conduct local currency business with Chinese enterprises starting two years after accession
		Foreign banks will beable to conduct local currency business with Chinese individuals from 5 years after accession
		Both geographic and customer restrictions will be removed in 5 years

Securities	Only one minority foreign-owned joint venture has limited operations as an investment bank	Minority foreign-owned joint ventures can engage in fund management on the same terms as Chinese firms
		Minority foreign-owned joint ventures will be allowed to underwrite domestic securities issues and underwrite and trade in foreign currency denominated securities (debt and equity)

Insurance	Foreign companies limited in number and restricted to Shanghai and Guangzhou	China will eliminate all geographic restrictions within **three** years, and open up Beijing upon accession
		All qualified insurers will be issued licenses
		China will allow reinsurance and insurance of large scale commercial risk
		China will allow 50% foreign equity share with management control

Audio Visual	Distribution of sound recordings, videos, movies, books, and magazines restricted	China will allow 49% foreign participation for the distribution of video and sound recordings
		China will allow **majority** foreign ownership in 3 years for construction, renovation, ownership and operation of cinemas
	No commitments on number of revenue-sharing films imported	China agreed to import on a revenue sharing basis 20 films per year for three years

Travel & Tourism	Foreign firms subject to geographic limitations and cannot establish travel agencies	China will allow full market access to the Chinese market for certain hotel operators within 3 years
		Foreign travel operators can provide full range of travel agency services

Protocol Commitments		Establishes rules and principles for China's trade regime
	Antidumping	Permits the United States to continue to apply its current non-market methodology in antidumping cases to China for **X** years without risk of a legal challenge
	Import Surge Mechanism (Product Specific Safeguard)	Ensures that U.S. domestic firms will have stronger protection against rapid increases in iimports
	Investment and Technology Transfer	Ensures fair treatment for U.S. exports and U.S. investors, including the right to import U.S.-made parts into China, elimination of local content requirements, and elimination of or non-enforcement of contracts imposing trade and foreign exchange balancing requirements, offsets, and performance requirements
	State-Owned and State-Invested Enterprises	China will ensure that state-owned and state invested enterprises will make purchases solely on commercial considerations and provide U.S. firms with the opportunity to compete on nondiscriminatory terms and conditions; clarifies their status under the subsidies agreement

Tariff Rate Quotas	Wheat, corn, rice, cotton, barley and vegetable oil were subject to state trading and restrictive quotas	
	Soy Oil	Elimination of state trading, 9 percent duty
	Wheat: 7.3 million metric tons	9.6 million metric tons, 10 percent private share
	Corn: 4.5 million metric tons	7.2 million metric tons, 25% - 40% private share
	Short and Medium Grained Rice: 1.3 million metric tons	2.6 million metric tons, 50% private share

	Long Grained Rice: 1.3 million metric tons	2.6 million metric tons, 10% private share
	Cotton: 743,000 million metric tons	894,000 million metric tons, 67% private share
	Barley:	Elimination of state trading, 9 percent duty
	Minor Vegetable Oils:	No Tariff Rate Quota, 10% duty only
		Elimination of Export Subsidies

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