Case Number: 2010-1024-F

FOIA MARKER

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

Folder Title: China (November 1999 Negotiation) [3]
Staff Office-Individual: National Economic Council-Lee, Malcolm
Original OA/ID Number: CF 1177

Row:	Section:	Shelf:	Position:	Stack:
23	5	6	1	V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. paper	Package Proposal of China to the United States. (4 pages)	11/12/1999	P1/b(1)
002. paper	U.S. Response to China's Proposal. (3 pages)	11/13/1999	P1/b(1)
003. draft	Package to Finalize the WTO agreement. [with marginalia] (3 pages)	c. 11/1999	P1/b(1)
004. draft	Talking Points (3 pages)	11/13/1999	P1/b(1)
005. note	Soybeans & Oil (1 page)	11/1999	P1/b(1)
006. paper	Attachement H: U. S. Proposal Draft Protocol on China. (1 page)	03/08/1999	P1/b(1)
007. talking points	Sperling Points for Meeting with Minister Shi. (1 page)	11/10/1999	P1/b(1)
008. note	Account Number. (1 page)	11/1999	b(2)
009. paper	Services Proposal (4 pages)	11/09/1999	P1/b(1)
010. paper	Unabridged Guide to Outstanding Service Issues. (6 pages)	04/23/1999	P1/b(1)
011. talking points	Duplicate of 007. (1 page)	11/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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]

FOR CHARLENE G.

FAX COVER SHEET

To: Tom Tripp

From: Ed Gresser
Policy Advisor, U.S. Trade Representative
600 17th St. NW, Room 217
Washington, DC 20508

Phone 202-395-9419;
Fax 202-395-4549

Date:

Pages:

Draft

U.S., CHINA COMPLETE NEGOTIATIONS ON WTO ACCESSION

U.S. Trade Representative Charlene Barshefsky and National Economic Advisor Gene Sperling today announced the successful completion of talks on China's accession to the World Trade Organization.

"At the direction of President Clinton," said Barshefsky, "we reopened negotiations with China in September. Over the past four days, we have completed the work, reaching agreement on a set of commitments that are comprehensive, enforceable, grant no special favors, and will be rapidly implemented. This agreement will be good for both countries: it will open new opportunities for Americans and strengthen our guarantees of fairness, and at the same time support Chinese economic reforms, and allow China to play its rightful part in the trading system."

The agreement covers four principal areas: agriculture, industrial goods, services and WTO rules. According to Barshefsky and Sperling, it concludes the work begun earlier this year, maintaining the quality of China's earlier commitments and reaching mutually acceptable agreement on those areas which remained incomplete.

"Throughout this year, President Clinton has been committed to a comprehensive, commercially meaningful agreement to bring China into the World Trade Organization," said Sperling. "We have been patient and intent on reaching the right agreement, concentrating solely on the quality of China's commitments. We have now reached such an agreement, and the result will be good for the United States and good for China."

SPECIFIC PROVISIONS:

An outline of the final agreement is as follows:

The negotiations on agriculture and industrial market access were completed some time ago, and remain unchanged from the commitments China had made as of April 1999. Through them, China has made significant and commercially meaningful commitments on both tariff and non-tariff barriers to industrial goods and farm products.

- In agriculture, China will cut tariffs on average to 17%, with binding of all tariffs; establish liberal tariff-rate quotas for bulk commodities such as wheat, rice, corn and other grains; agree not to provide export subsidies; and commit to settle disagreements over sanitary and phytosanitary measures based on science.

- In industrial goods, China will reduce tariffs to an average of 9.4% from 1997 levels averaging 24.6%, and bind all tariffs; eliminate quotas; guarantee trading rights for Americans and others in China; participate in the Information Technology Agreement; and participate in the Accelerated Tariff Liberalization agreement when the WTO reaches consensus on it.

The services talks were incomplete when we resumed negotiations in September, although we had concluded talks in a number of sectors. China's previous commitments in such services sectors as distribution, travel, the professions, health, insurance and a number of others remain unchanged. With respect to those that remained incomplete in April:

- In banking, the U.S. and China agreed upon the timing of phase-ins for the auto financing services and the ability of foreign banks to provide local currency services to Chinese.

- In audiovisual services, we agreed upon the extent and timing of market access commitments.

- In securities, we have agreed that China will ___.

- Also in telecommunications, we have ___.

With respect to the Protocol commitments which cover safeguards and special rules, China's commitments on such issues as technology transfer, product-specific safeguards, and elimination of offsets and export performance requirements remain unchanged. However, several issues had remained unresolved, notably including treatment of textiles and the duration of non-market economy dumping rules.

- In textiles, the U.S. and China agreed on appropriate measures to avoid market disruption during and after the phase-out of quotas, specifically ___.

- And with respect to anti-dumping methodologies, where the U.S. now applies to China a set of rules designed for non-market economies, we have agreed that ____.

NEXT STEPS:

This agreement represents a crucial step in China's WTO accession process. However, several important steps remain ahead. First, China must conclude bilateral negotiations with a number of other WTO members, including the European Union. The various bilateral agreements must be assembled into one accession package, which must then win the support of the WTO General Council, including all WTO members. China must pass a legislative implementation package, and will then join the WTO. Its commitments will come into force at that time.

PERMANENT NTR:

In response to these commitments, the United States has pledged to seek from Congress approval of permanent Normal Trade Relations (NTR, formerly "MFN" tariff status) on China's entry to the WTO. This is standard treatment for WTO members. Certain non-market economies, including China, are covered by a trade law known as the Jackson-Vanik

NOV-13-99 SAT 10:59 PM EXEC ECON FAX NO. 65326422 P. 04

Amendment. For such countries, the Clinton Administration has secured permanent NTR on accession to the WTO.

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 some 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

- ***Product Specific Safeguard***: Unresolved in April. In September, China insisted upon no measures that "discriminate" against China. China has agreed to a safeguard mechanism until **20__** that can be directed exclusively at imports from China that cause or threaten to cause market disruption to domestic producers of like products. Our existing 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, using a slightly looser injury standard ("market disruption") than the serious injury" standard of Section 201.

- ***Antidumping***: Duration unresolved in April. In September, China requested immediate sunset of this provision, calling it discriminatory. China has agreed to allow the continued use of non-market economy dumping methodolgy for **X** years.

- ***Audio-visual:*** China has committed to import a minimum number of foreign films on a revenue sharing basis. 15 in year 1, 17 in year 2, 20 in year 3. In April, China had agreed to import only 10 films a year on this basis.
- ***Internet Access:*** China recently indicated that internet services and internet telephony would not be considered telecommunications services under the agreement and thus would not be bound by the same schedule for liberalization. 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. ~~There was some question as to~~ China's commitments in this area were unclear in April.

- ***Auto Financing:*** China made no commitments for nonbank financing of auto purchases in April, but has now agreed to permit [non-bank foreign financial service suppliers] to provide auto financing upon accession. Under this agreement, foreign companies can now sell, distribute, finance, maintain and repair automobiles.

- ***Securities (details not released in April)***: 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 issuance and underwrite and trade in foreign currency denominated securities (debt and equity).

- ***Capital Markets Dialogue***: Treasury and the Ministry of Finance announced during the recent Joint Economic Committee meeting chaired by Sec. Summers and Minister Xiang that they would establish a bilateral capital markets dialogue focusing on capital and financial market development issues, including the roles of financial services providers. This group will discuss capital markets development, including deepening the securities markets, and the policy challenges that arise with capital markets integration. Regulatory and infrastructure issues in the banking and securities sectors, as well as approaches to product diversification and appropriate risk management procedures.

Adjustments

- *Auto Tariffs*: In April, China had agreed to reduce its auto tariffs to 25% in 2005. China will now reduce automobile tariffs from the current 80-100% levels to 25% in 2006, but with accelerated tariff reduction to expand market access beyond the April commitment in the near term.

- *Auto Repair and Maintenance*: Agreement permits auto repair and maintenance.

- *Auto Parts*: China will reduce auto part tariffs in ______ steps to an average of 10% by 200_.

Audio Visual (needs work – Christina)

- Video and Sound Recordings – China would allow 49% foreign participation.

- Cinemas – China would allow majority ownership in 3 years for construction, renovation, ownership and operation of cinemas.

- China permitted very few foreign films on a revenue sharing basis.

Banking (this is the same as April – gain is auto finance)

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 as Chinese banks within designated geographic areas.
- Both geographic and customer restrictions will be removed in five years.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. paper	Package Proposal of China to the United States. (4 pages)	11/12/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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]

DRAFT

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 reached a strong bilateral WTO Accession Agreement that constitutes a major step toward bringing China into the World Trade Organization.

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. The agreement reached today will strengthen China's economic reforms and support the rule of law, while creating unprecedented opportunities for American farmers, workers and companies to compete successfully in China's enormous market. This agreement is good for America, good for China and good for the world economy.

On the basis of this agreement, I will work hard with other countries to gain China's entry into the World Trade Organization, and I will exert maximum effort with Congress to secure permanent Normal Trade Relations for China.

Departure Schedule for Sunday, November 14
(as of 11/14/99 12:23 AM)

06:00 Luggage vans arrive at Palace Hotel

06:15 Final Luggage Call: Baggage/Passports and 90 RMB airport tax for those without Diplomatic Passports collected at Control Room 740. GSO will check in passengers in advance.

06:30 Luggage vans depart; Lieberthal's luggage should be stowed in BA1974

Northwest 12 (Lieberthal)

07:30 Lieberthal departs for airport in BA1974 accompanied by Joe Young

08:00 Lieberthal arrives airport, proceeds to Northwest, met by GSO with boarding pass and passport.

08:55 NW 12 departs

UA 852 (Cassidy, Lundsager, Shirk, Carreau, Lund, Field, Howes, Tripp, Lee)

09:10 Cassidy, Lundsager, Shirk, Carreau, Lund, Field, Howes, Tripp, Lee depart Palace Hotel in Embassy Coaster 224-036 accompanied by Paul Neureiter

09:50 Coaster arrives airport, party proceeds to United First Class lounge met by GSO with boarding passes and passports.

10:45 UA 852 departs

China Eastern MU-583 (Amb. Barshefsky, Sperling, Novick)

10:30 Amb. Barshefsky, Sperling, and Novick depart Hotel (or Embassy) in 224-001 (Lincoln) and 224-052 (Buick), accompanied by Charge and Lauren Moriarty.

11:20 Amb. Barshefsky, Sperling and Novick arrive Airport VIP lounge, met by GSO with boarding passes and passports

11:40 China Eastern Departs

China WTO Contingency Rollout Plan
Strategic Objectives and Implementation

1. **Message: Historic Agreement for America, China and World Trading System**

   Implementation

   - **POTUS Statement for use on POTUS Departure for Europe on Friday, Nov. 11. USTR draft, NEC/NSC edit.**
   - **Beijing Press Conference: Barshefsky/Sperling**

2. **Message: Huge Market Opening Benefits for U.S. Industry**

   Implementation

   - **Agriculture Strategy: USTR, in consultation with Agriculture, outline huge wins for U.S. farmers**
     - **Barshefsky/Glickman calls to individual CEO's for statements of support**
     - **Calls to agricultural trade associations to issue statements**
   - **Exporter Strategy: Daley calls key export manufacturers (e.g., Boeing, Big 3?) for statements**
   - **Services Strategy: USTR takes lead in mobilizing services validators (e.g., audio visual, insurance, distribution, Coalition of Services Industries)**
   - **Telecom Strategy: Barshefsky calls. Satellite win. Gateway phase out. Explain equity.**
   - **Financial Services Strategy: Treasury takes lead, Summers calls to key banks, securities firms.**
   - **Internet Strategy: Huge win, locking in access in area of great Chinese sensitivity.**

3. **Message: Deal Good or Better than April**

   Implementation

   - **Ambassador Barshefsky calls Bob Kapp (U.S. China Business Council) and Cal Cohen (ECAT). Ask to hold press conference where they detail why agreement reached as good or better than April 8 package. Failure to do so will undermine PNTR pasasage.**
   - **Summers calls Business Roundtable to issue positive statement.**

4. **Message: ~~Strong~~ Protections Against Unfair Trade and Import Surges**

   Implementation

   - **Democratic Validators: Podesta call to key Dems emphasizing wins on dumping and specific safeguards, giving sense for how hard we fought**
   - **Daley/Barshefsky calls import sensitive industries on protection of dumping laws and win on product specific safeguard (e.g., steel)**
   - **Tramontano call to AFL/Steelworkers**
   - **X call to textile industry (protected existing agreement)**

Just concluded US-China Bilateral Accession Agreement:

- Excellent agreement
- Good for US and good for China
- ~~[illegible]~~ Marks major step toward bringing China – world's 3rd largest economy – under global trading rules.

I will now:

- work hard to support China's entry into WTO
- go all out to achieve PNTR for China. The terms of this agreement fully warrant granting PNTR.

The US & Chinese governments have worked hard to achieve this excellent result. For Americans, this means:

- more exports
- more high quality jobs
- firmer anchor to our relations with the world's largest country.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. paper	U.S. Response to China's Proposal. (3 pages)	11/13/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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 WHITE HOUSE

Office of the Press Secretary

For Immediate Release July 27, 1999

STATEMENT BY THE PRESIDENT

I welcome the strong bipartisan vote in the House today to extend normal trade relations (NTR) with China.

Extending NTR is the right way to advance America's interests. Our exports to China have nearly tripled over the past decade to $14.2 billion. NTR boosts not only America's economy, but also those of Hong Kong and Taiwan, as well as China.

NTR promotes China's integration into the global economy, which in turn strengthens market-oriented reformers within China. Expanding trade can help bring greater social change to China by spreading the tools, contacts and ideas that promote freedom. Maintaining NTR helps us to move China toward global norms on human rights, weapons of mass destruction, crime and drugs, and the environment, as well as on trade. China clearly has far to go in all these areas, and we will continue to address our differences directly and protect our national interests.

I remain determined to pursue an agreement for China to join the WTO on viable commercial terms -- not as a favor to China but as a means of opening and reforming China's markets and holding China to the rules of the global trading system. I remain ready to work closely with Congress to secure permanent NTR status for China in the context of a commercially strong WTO agreement.

# # #

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 China but a means of opening and reforming China's markets and holding China to the rules of the global trading system -- developments that will benefit America. Accordingly, I am prepared to work closely with Congress to secure permanent NTR status for China in the context of a commercially strong WTO agreement.

30-30-30

TRADE ASPECTS OF MOST-FAVORED NATION (MFN) TREATMENT

MFN tariff status is normal trading status. MFN is a misnomer. It is not privileged status accorded only to close friends. It is the ordinary tariff treatment that we extend to virtually all nations. MFN has been supported by every president (both Republican and Democrat) who has confronted the issue.

MFN revocation would harm Hong Kong. Hong Kong's economic strength is one of its chief assets in ensuring its autonomy and viability. Hong Kong handles over 50 percent of U.S.-China trade, making it highly dependent on continued normal trade relations between the United States and China. Hong Kong authorities estimate that MFN revocation would slash its trade by $20 to $30 billion with a resulting loss of 60,000-85,000 jobs. Hong Kong leaders, have spoken out strongly in favor of renewal of MFN. Every major political party in Hong Kong favors renewal.

MFN revocation would destabilize currency markets in the Asia-Pacific region. China has maintained its pledge to maintain the value of its currency. Given the unstable and devalued nature of other Asian currency markets, MFN revocation for China could increase uncertainty at a time when stability is most wanted.

MFN revocation would increase the price U.S. consumers pay for basic goods and cost U.S. jobs. MFN revocation would increase tariffs on imports from China from a trade-weighted average of about 6 percent to an estimated 44 percent. This could provoke retaliation against U.S. exports and open the door to the China market for our foreign competitors.

- MFN revocation, even accounting for changes in trade flows, will require U.S. consumers to pay upwards of half a billion dollars more each year for goods such as shoes, clothing and small appliances subject to increased tariffs. In addition, the costs of goods manufactured in the United States with Chinese components could increase, reducing the competitiveness of the finished goods.

- U.S. exports to China have almost quadrupled over the past decade. Those exports support an estimated 170,000 jobs in the United States that, on average, pay 13 to 16 percent more than non-export related jobs. We need to increase market access and ensure a level playing field for U.S. good and services, not provoke retaliation.

MFN revocation would derail multilateral and bilateral trade negotiations to increase our access to China's market and China's observance of international trade rules. Revocation is too blunt a tool.

- China's accession to the WTO must be based on a commercially meaningful agreement that will improve market access for U.S. good and services. We are making progress in those negotiations and insisting that China agree to comply with international trade rules on transparency, national treatment, availability of judicial review and other areas as well as to eliminate major trade barriers that face U.S. firms, including high tariffs, quotas and bans on providing services. Revoking MFN would likely stop any progress in WTO negotiations.

- MFN revocation would jeopardize gains achieved in bilateral negotiations on intellectual property rights (IPR) enforcement and market access for textiles and apparel as well as ongoing progress in other areas, such as the most recent agreement on grapes in the agriculture sector. The Administration will continue to use targeted trade law provisions to protect U.S. trade interests,

The best way to address our trade problems is to use our trade laws, and the threat of targeted sanctions where necessary, to eliminate Chinese barriers and to help U.S. exporters compete in the Chinese market - not revoke MFN. The Administration secured strong actions from China protecting American intellectual property after threatening sanctions on $2 billion of Chinese imports. China's elimination of over 1,000 quotas and licensing requirements on imports of key high tech U.S. products has contributed to a rise of nearly 200 percent in U.S. exports of telecommunications equipment to China since 1992.

country as a priority foreign country if it is entering into good faith negotiations or making significant progress in bilateral or multilateral negotiations to provide adequate and effective protection of IPR.

USTR must decide whether to identify countries each year within 30 days after issuance of the National Trade Estimate Report. In addition, USTR may identify a trading partner as a priority foreign country or remove such identification whenever warranted.

USTR has created a "priority watch li[...]
"watch list" under Special 301[...]
Placement of a tradin[...]
watch list or watch lis[...]
problems exist in that c[...]
protection or enforceme[...]
persons relying on intelle[...]
placed on the priority watc[...]
increased bilateral attention[...]
problem areas.

Sent to Malcom 011-8610-6512-9050

On April 30, 1997, USTR iden[...]
partners that deny adequate and[...]
protection of intellectual property[...]
equitable market access to U.S. pe[...]
upon intellectual property protectio[...]
announced was the monitoring of Ch[...]
compliance with the 1996 bilateral int[...]al
property agreement under section 306 of the Trade Act. The identification of 46 partners represented a 25% increase in the number of trading partners named in 1996. Of the 46, 10 were placed on the Priority Watch List and 36 on the Watch List. Eleven of these 46 were named for out-of-cycle reviews: Brazil, Bulgaria, Canada, Ecuador, Hong Kong, Italy, Luxembourg, Panama, Paraguay, Thailand, and Turkey. USTR also noted growing concern about an additional 12 countries not named to the Watch List or Priority Watch List. Finally, USTR used the Special 301 announcement to report its intention to bring WTO Dispute Settlement cases, three of which were initiated in 1997.

In September, USTR reviewed the protection of intellectual property in Italy, Thailand, Panama, Luxembourg, and Ecuador. As the result of these reviews, Thailand, Luxembourg and Italy remained on the Watch List. Ecuador remained on the Priority Watch List. Ambassador Barshefsky noted concern at the slow progress Ecuador was making at addressing long-standing U.S. concerns, and stated that "should Ecuador fail to achieve these long-overdue goals, the United States will be forced to consider whether to designate Ecuador a priority foreign country . . ." Panama was removed from the Watch List, but USTR will con[...]
[...]o observe Panama's progress and
[...]number of areas it would continue to
[...]nticipation of the 1998 Special 301

[...]STR reviewed the protection of
[...]erty in Paraguay, Turkey,
[...]nd Hong Kong. As the result of
[...]guay was identified as a
[...]untry, because of alarming
[...]ounterfeiting, and the
[...]ed failure to enact adequate
[...]l property legislation.
[...]om the Watch List to the
[...]se of extensive piracy of
[...]ware. USTR also noted
[...]aria fail to make substantial
[...]toward combating the piracy, it will be
[...]entified as a Priority Foreign Country, as early as April 1998. Turkey remained on the Priority Watch List, and USTR noted that until U.S. concerns are addressed, the U.S. will not consider requests to augment Turkey's benefits under the U.S. Generalized System of Preferences (GSP) program. Brazil and Hong Kong remained on the Watch List.

Telecommunications

Section 1377 of the Omnibus Trade and Competitiveness Act of 1988 requires the USTR to review, by March 31 of each year, the operation and effectiveness of U.S. telecommunications trade agreements.

The purpose of the Section 1377 review is to determine whether any act, policy, or practice of the foreign country that has entered into a telecommunications-related agreement with the United States (1) is not in compliance with the terms of the agreement; or (2) otherwise denies, within the context of the agreement, mutually advantageous market opportunities to telecommunications products and services of U.S. firms in that country. An affirmative determination under Section 1377 must be treated as an affirmative determination of a violation of a trade agreement under Section 304(a)(1)(A) of the Trade Act of 1974.

The 1997 review, which was completed on March 31, 1997, focused on implementation of bilateral agreements with Mexico, Korea, Japan, and Taiwan.

The 1997 review noted the satisfactory conclusion to Mexico's development of NAFTA-compliant terminal attachment standards and progress in facilitating U.S. laboratories' ability to test to Mexican product safety standards, a NAFTA obligation. Mexico was cited in the 1996 review for its failure to permit U.S. labs to engage in such testing. A formal understanding resolving this issue was concluded in April 1997.

In July 1997, the United States determined that Korea had adequately addressed issues which had resulted in Korea being identified in 1996 as a Priority Foreign Country under section 1374 of the 1988 Act. Commitments Korea made, which enabled the USTR to revoke this identification, included the elimination of certain information technology tariffs, increased level of permissible foreign investment in Korean telecommunications companies, and the issuance of a policy statement affirming open procurement policies, transparent licensing and certification requirements, satellite services access, and protection of intellectual property.

Japan was examined in the 1377 Review for procedures relating to government procurement. The main issue was a major procurement which Japan's National Police Agency had initiated outside procedures mandated by both the WTO Government Procurement Agreement and the U.S.-Japan Framework Agreement on Japanese Public Sector Telecommunication Procurement. After numerous interventions, the NPA agreed to conduct this procurement under the mandated open procedures, which permitted foreign companies to participate fully in the process.

Procedures relating to procurement by Japan's major telecommunications carrier, NTT, were also reviewed in 1997. Problems identified as hindering access by foreign firms were addressed in subsequent negotiations to extend and improve these arrangements beyond their 1997 expiration. The new arrangements, concluded in September 1997, included provisions improving access to technical information and procurement data, and a stronger commitment to the use of international standards.

Taiwan was noted in the 1377 review as implementing commitments to ensure the establishment of a open and competitive wireless market.

Government Procurement

Title VII of the 1988 Omnibus Trade and Competitiveness Act, which expired on April 30, 1996, required the U.S. Trade Representative, through authority delegated by the President, to submit to Congress an annual report identifying foreign countries that are signatories to the WTO Government Procurement Agreement (GPA) and are in violation of their GPA obligations.

The report was also required to identify GPA signatories that met the statutory criteria for identification in areas not covered by the GPA, as well as non-signatories that met these criteria in any area of procurement. Those criteria were: (1) a significant and persistent pattern or practice of discrimination in government procurement against United States goods and services; (2) identifiable harm to U.S. businesses; and (3) significant purchases by the United States Government of goods or services from that country.

In addition, Title VII required identification of countries that are not signatories to the GPA and fail to apply transparent and competitive procurement procedures or to maintain and enforce effective prohibitions on bribery.

Title VII provided for consultations with countries

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. draft	Package to Finalize the WTO agreement. [with marginalia] (3 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 Negotiations) [3]

2010-1024-F
vz1861

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]

TREASURY NEWS

FROM THE OFFICE OF PUBLIC AFFAIRS

FOR IMMEDIATE RELEASE
October 25, 1999
LS-171

JOINT STATEMENT
12TH SESSION OFTHE CHINA-U.S. JOINT ECONOMIC COMMITTEE
BEIJING, CHINA
October 25, 1999

At the invitation of Finance Minister Xiang Huaicheng, Secretary Summers visited China. Minister Xiang and Secretary Summers co-chaired the 12th session of the China-United States Joint Economic Committee (JEC). During the meeting, both sides held extensive discussions on a broad range of economic issues. The two ministers noted that mutual understanding and the bilateral relationship in the economic, fiscal and financial fields had been enhanced through dialogue on a regular basis in the JEC. They stressed their common desire to continue deepening cooperative relations between the two countries in general, and collaboration in international economic and financial affairs in particular.

The 12th session of the JEC addressed both domestic and international economic issues.

- On domestic economic issues, both sides discussed the progress and challenges they face in sustaining economic growth. The United States pointed to prudent fiscal and monetary policies on its side, and particularly to a federal budget surplus expected in fiscal year 2000, for the third consecutive year. China emphasized that it will continue its pro-active fiscal policy and appropriate monetary policy stance so as to maintain the balance of payments and therefore maintain the stability of the RMB exchange rate, thereby further boosting domestic demand.
- Meanwhile, China stressed its current efforts on further deepening the reforms of state-owned enterprises and the financial sector, and establishing a sound social security system so as to maintain the growth momentum of the national economy. The United States expressed support for these objectives. The United States and China have agreed to establish a more intensive process of dialogue on financial and capital market development issues, including the roles of foreign financial services providers in each of our countries, under the JEC mechanism. This process will be co-chaired by our Finance Deputies and Central Bank Deputies and will include securities market regulators and banking supervisory officials. This process is described further in the attachment.
- The two sides exchanged views on economic issues of mutual interests, such as domestic economic policies and goals. The two sides discussed the issues related to macroeconomic conditions, including the importance of sound macroeconomic fundamentals and strong financial systems. They also discussed the external position of both countries, including trade balances, investment flows, foreign exchange reserves, debt, and exchange rate policy.
- On international economic and financial issues, the two sides reviewed the current global economic situation, and touched upon the issues of financial crisis prevention and management. The two sides welcomed the creation of the new informal mechanism for dialogue among systemically important countries and the inclusion of key emerging market economies in this group. They looked forward to the opportunity, at the first meeting in December, to exchange views with their counterparts on important issues facing the world economy, including further steps to strengthen the international financial architecture.

- The two sides discussed the roles of the two countries in the regional and global financial system in the context of the Asian financial crisis. They also reviewed the external positions of both countries. In addition they discussed China's accession to the WTO.
- The two sides discussed money laundering and bilateral law enforcement agreements, including enforcement that applies to exports and imports of goods made by prison labor. They discussed what they could do to strengthen co-operation in this area and observe existing agreements so as to enforce them. They expressed satisfaction with the signing of a Customs Mutual Assistance Agreement since the last JEC meeting. They reiterated their belief that this Agreement will strengthen bilateral efforts to suppress international organized crime, narcotics trafficking, smuggling activity and violations of intellectual property rights. Both sides expressed satisfaction with progress made on the Shanghai Model Port Project under the auspices of APEC and hoped to achieve further concrete progress in the areas of technical assistance and professional training.
- Minister Xiang particularly drew attention to the following developments since the last JEC meeting:
- He stressed the importance of the constructive meeting between President Jiang and President Clinton in Auckland, New Zealand. Such a result will advance bilateral relations. He was of the view that the regular dialogue of the financial ministers would help to promote the cooperative goals set forward by the two presidents. He believed that maintaining high level bilateral contacts would deepen mutual understanding and further promote the bilateral relationship between the two countries.
- He pointed out that China had deepened reforms to move toward a market-based economy. China gave priority to restructuring state owned enterprises and the financial sector, and establishing a sound social security system.
- He noted that despite the Asian crisis, China had managed to keep a favorable external position.

Secretary Summers also remarked on a number of specific issues:

- He discussed recent developments in the U.S. economy, in particular noting that he expects the momentum of expansion to continue with strong growth and low inflation, subject to the normal ups and downs.
- He expressed his pleasure that China will participate actively in the new informal mechanism for dialogue among systemically important countries.
- He reiterated the hope that relations between the U.S. Treasury and the Chinese Ministry of Finance would continue to develop. He noted that there had been a significant expansion of contacts between officials of the two organizations, and expressed his hope that such cooperation could be further expanded.

Both sides recognized the potential problems related to the Y2K issue and have been cooperating to deal with them. They pledged to continue their cooperation with a view toward addressing any problems that may arise with the turn of the millennium.

The two sides agreed that the next meeting of the JEC would take place in Washington, D.C. in 2000.

The Chinese delegation to the JEC consisted of representatives of the Ministry of Finance, Ministry of Foreign Affairs, State Development and Planning Commission, State Economic and Trade Commission, Ministry of Foreign Trade and Economic Cooperation, the Ministry of Justice, the People?s Bank of China, State Administration of Taxation, General Administration of Customs, China Securities Regulatory Commission, and State Administration of Foreign Exchange. The U.S. delegation included representatives from the Department of the Treasury, the Federal Reserve Board, the Department of State, the Office of the U.S. Trade Representative, the Office of the Comptroller of the Currency, the National Security Council, the National Economic Council, the U.S. Customs Service, and the U.S. Embassy in Beijing.

Attachment to JEC Statement

The United States and China have agreed to establish a more intensive process of dialogue on financial and capital market development issues, including the roles of financial services providers in each of our countries. This process will be co-chaired by our Finance Deputies and Central Bank Deputies and will include our national securities market regulators and banking supervisory officials as well as other experts, as appropriate.

Issues under discussion will include:

- Financial sector development, including regulatory and infrastructure issues;
- Capital markets development, including deepening the securities market;
- Policy challenges of capital markets integration; and
- Approaches to promoting product diversification and appropriate risk management procedures.

This process will foster cooperation in an area critical to China's development and future growth, contributing to increasing confidence while promoting dynamism in China's financial markets. The development of market and regulatory infrastructure will help contribute to efficient use of domestic savings and prudent interactions with global capital markets.

The first meeting will be held in early 2000. The Deputies will report back to the Ministers at the next JEC to be held later next year.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. draft	Talking Points (3 pages)	11/13/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. note	Soybeans & Oil (1 page)	11/1999	P1/b(1)

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

FOLDER TITLE:
China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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]

Protocol Issues

- The protocol issues are extremely sensitive for both sides.

- President Clinton showed leadership and flexibility in taking the difficult decision to address China's concerns about a 10 phase-out period for textile quotas and to accept only what China agreed to in our bilateral textiles agreement in 1997.

- This decision will extract a high political cost in terms of the vote on permanent MFN and for the President's domestic and trade agenda. (Possible example of the Africa Trade Bill initiative).

- The President also agreed to drop our request for a general safeguard, if we reach agreement on a strong package, even though other countries acceding to GATT (Poland, Hungary, Romania) had them and many members of Congress have expressed concern to him and to me about our ability to ensure implementation of any agreement we reach.

- An acceptable agreement on the two remaining issues, the duration of the product-specific safeguard and the NME antidumping methodology, are absolutely critical elements of this package–(They are deal breakers.)

Product-Specific Safeguard

- We have the same kind of product-specific safeguard provision in all of our bilateral trade agreements with Eastern Europe and countries of the former Soviet-Union, WITHOUT A TERMINATION DATE.

NME Methodology

- Our proposal would permit removal of sectors from the NME provision, if China can establish that the sector is market oriented.

- We are prepared to discuss the details of how this provision might operate and other ideas on how the status of China's economy might be reviewed.

- China's current approaches to this issue are unrealistic if we are to accomplish our overall objectives of WTO membership and permanent MFN for China.

- If Congress perceives any weakening of the dumping law, it will be impossible to get permanent NTR.

USTR IDEAS

Duration of Antidumping Provision

4. An importing WTO Member using alternative methodologies, as described in subparagraph (1), shall review, at China's request, specific industries to determine whether such an industry has become a "market-oriented industry" within the meaning of laws, regulations and administrative measures notified to the Committee on Anti-dumping Practices prior to [x date]. Such review shall be conducted with the support and cooperation of the relevant industry in China, which shall provide to the Member conducting the review requested data and other information to establish the status of the industry.

Possible additional elements-- (1) Time for completion of the review, (2) place more of a burden on the administering authority to develop a record and (3) a limit on the number of such reviews in any given year or a minimum time period between reviews of a particular industry.

5. (OPTION 1) An importing WTO Member using alternative methodologies, as described in subparagraph (1), shall review, within X years of the entry into force of the Protocol, whether it continues to be appropriate to use such methodologies with respect to China's economy.

(OPTION 2) An importing WTO Member using alternative methodologies as described in subparagraph (1) shall review, upon recommendation of a Working Party established under Section of this Protocol, whether it continues to be appropriate to use such methodologies with respect to China's economy.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. paper	Attachement H: U. S. Proposal Draft Protocol on China. (1 page)	03/08/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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]

WASHINGTON POST - Downloaded November 8, 1999

U.S. Team On Way To China For Talks

Last-Minute Deal Sought on WTO Issue

By John Burgess, Washington Post Staff Writer

Tuesday, November 9, 1999; Page E01

U.S. Trade Representative Charlene Barshefsky left Washington for Beijing yesterday with hopes of reaching a last-minute deal to bring China into the World Trade Organization. Her hastily organized trip followed a phone call from President Clinton on Saturday to his Chinese counterpart, Jiang Zemin.

Clinton declined yesterday to predict the outcome of the talks, which are scheduled for Wednesday and Thursday. "We're doing our best," he told reporters at the White House. ". . . Let's wait and--let's not characterize the in-between until we see whether we can produce the product."

There is a sense of urgency in the long-stalled talks because both sides now hope to reach agreement before the start of a meeting of the 130-plus WTO nations late this month in Seattle. Membership would give China a full voice at those talks, in which delegates hope to map out an agenda for a new, three-year round of international negotiations toward further trade liberalization.

Traveling with Barshefsky was a senior delegation from federal agencies, including Gene Sperling, head of the National Economic Council. U.S. officials said this was a sign that the United States is serious about reaching a deal, not that it expects one can be wrapped up in the two days the group plans to spend in Beijing.

At a time when China's trade surpluses with the United States rival those of Japan, the White House has made securing Chinese membership a major policy objective. U.S. officials say bringing China into the Geneva-based trade organization, where countries can take their complaints about trading practices, would open China's market and commit it to the rules of world trade for the first time.

For its part, China wants the acceptance as a major trading nation that WTO membership would bring. The country would also get a say in future changes to global commerce rules and protection from unilateral sanctions from unhappy trading partners.

To get in, China must make market-opening steps that the United States deems sufficient to win U.S. support for its membership. In recent weeks, however, the U.S. side has been publicly the more enthusiastic for such a deal. It has initiated repeated high-level contacts.

Clinton spoke with Jiang at a regional summit in New Zealand, then telephoned him last month to try to put some steam into the process. A White House official said Clinton called him again Saturday night to discuss WTO.

A deal could come quickly, if the political will is there, because the two sides were very close to an agreement in April.

In that package, China offered market-opening concessions in agriculture, telecommunications and insurance, among other fields. But Clinton turned down the deal amid questions of whether it would be acceptable to Congress. The NATO bombing of the Chinese embassy in Belgrade during the Kosovo war put a further chill on relations.

With relations better now, U.S. officials hope that the April accord can be resurrected in most of its elements. China, presumably, will try to reduce the concessions it's willing to offer when it meets with Barshefsky.

"We should not pretend that these issues are finger-snap issues," said Robert Kapp, president of the U.S.-China Business Council, a business group that represents companies doing business with China. ". . . I don't expect this to be a love fest until it's over."

Congressional opponents of Chinese membership say that the country won't obey the rules even if it's inside the organization. They also fault it for human rights violations.

Supporters say that the United States would only gain in a deal opening China's market. "This will be a great boost for consumers and workers in the United States and the people of China," said Rep. David Dreier (R-Calif.) "And it sends a very important signal to the international community that the United States is once again assuming its role as the global leader."

Sen. Max Baucus (D-Mont.) also spoke in its favor. "The United States and China will reach an agreement," he said. "China will enter the WTO. The question is when. Clearly the sooner that happens, the better, both for the United States and China."

WALL STREET JOURNAL - Downloaded November 9, 1999

Top U.S. Advisers Go To Beijing To Try To Close Deal Before Nov. 30 Meeting

By HELENE COOPER and BOB DAVIS, Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON -- With time running out on negotiations, President Clinton dispatched two of his top economic advisers to Beijing to close a deal on China's accession to the World Trade Organization.

U.S. officials say the two-day negotiating session is the best -- and perhaps last -- chance to conclude the trade talks before a Nov. 30 meeting of the WTO in Seattle. But with domestic opposition to trade liberalization stiffening in China -- and with Beijing's penchant for brinkmanship -- a deal isn't ensured.

The Chinese have been using any leverage they can muster. For instance, President Clinton had to make a phone call to Chinese President Jiang Zemin on Saturday evening -- the second such call from President Clinton in three weeks -- simply to get his aides invited to Beijing. U.S. officials had expected Mr. Jiang to make the call as a response to Mr. Clinton's initial phone call Oct. 16.

U.S. officials were disturbed by Beijing's tactic. But, it could give Mr. Jiang additional cover with his political rivals, who have been resisting the sweeping concessions -- and inevitable economic pain -- China would have to make to get into the WTO.

Among the issues remaining are U.S. demands that China agree to accept a longer phase-out of U.S. textile quotas than would be required of other WTO members. In addition, the U.S. wants China to agree to stiffer barriers against surges of imports from China.

Clinton administration officials have long maintained that the next time U.S. Trade Representative Charlene Barshefsky headed to Beijing, it would be to wrap up the negotiations. Now, she is heading the U.S. negotiating team, and she insisted she be accompanied by National Economic Council Chairman Gene Sperling.

The addition of Mr. Sperling is meant to reassure Chinese officials that they won't face a replay of April talks when Mr. Sperling and Ms. Barshefsky gave conflicting advice to President Clinton about whether to accept a deal. In the end, on the advice of Mr. Sperling and others, Mr. Clinton sent Chinese Premier Zhu Rongji home empty-handed, despite Ms. Barshefsky's recommendation that the U.S. accept Mr. Zhu's offer.

Differences Within Administration

The Clinton administration says it is now united. Nevertheless, there are differences among key policy makers. Officials at the State Department and National Security Council are pushing -- once again -- for acceptance of the April deal that Mr. Clinton rejected. But Mr. Sperling and Ms. Barshefsky now agree the U.S. should press for more, lest its negotiators enter the talks hamstrung.

Both Messrs. Jiang and Zhu face opposition at home, particularly from stateowned enterprises that likely would be forced to shut down by foreign competition as a result of China's concessions to join the global trading body. In addition, economic nationalists have been fighting Mr. Zhu's concessions in April on opening China's telecommunications market to 51% foreign ownership.

U.S. officials believe Mr. Jiang himself may have to get involved if an agreement is to be reached. In an earlier dispute over pirated compact disks, Mr. Jiang interceded at the last moment to approve an agreement that meant the Chinese government would crack down on 21 factories that were making pirated CDs.

'A Domestic Chinese Issue'

"Ultimately, it will depend on Jiang," said a senior U.S. official. "This isn't a U.S.-China issue, it's now a domestic Chinese issue."

President Clinton's advisers were divided over whether Mr. Sperling should go on the trip. Ms. Barshefsky wanted him to go as a way to signal U.S. resolve. But White House Chief of Staff John Podesta wanted Mr. Sperling to stay in the U.S. to work on domestic budget issues. Ms. Barshefsky went to Mr. Podesta over the weekend in order to change his mind, U.S. officials said.

Privately, U.S. officials have signaled some willingness to compromise on the textile and import issues. The U.S. wanted the textile quotas to remain in effect for five more years, but now may accept a far shorter period. As for import-surge protection, the U.S. may agree merely to a procedure to monitor imports.

If the U.S. and China do reach an agreement, Congress will have to vote to normalize permanently China's trade status, as is required by WTO rules. A vote against permanently normalizing China's status would mean American companies wouldn't get any of the benefits of the Chinese concessions to get into the WTO.

Rep. Sander Levin, a Michigan Democrat on the House trade subcommittee, said that any deal with China must go beyond the April offer in order to win congressional approval. "You need to start with April and resolve the issues outstanding," he said.

To get into the world trading body, China must reach separate agreements with all of its major trading partners. To that end, Beijing already has cut deals this year with Japan and Australia. But reaching agreements with the European Union and the U.S. are seen as the biggest hurdles to jump.

Last week, German Chancellor Gerhard Schroeder, in Beijing for three days of talks, said he expected the EU to reach an agreement on China's WTO accession by the end of the month.

NEW YORK TIMES - Downloaded November 9, 1999
Clinton Sends Two Top Aides To Beijing To Work On Trade Accord

By DAVID E. SANGER

WASHINGTON -- After a long Saturday-night telephone call with President Jiang Zemin of China, President Clinton sent his trade representative and his top economic adviser to Beijing on Monday in an effort to close a deal that would bring China into the World Trade Organization in return for a wide-ranging opening of its markets to American-made goods.

The speed with which Clinton dispatched Trade Representative Charlene Barshefsky and Gene Sperling, who heads the National Economic Council -- and who was among those who advised Clinton to walk away from a huge trade deal with China in April -- suggested that the administration now believes that an agreement may be within reach.

If so, it would mark one of the most important accords with China since the resumption of diplomatic relations with the country two decades ago. It would also give Clinton a long-sought foreign policy accomplishment: a claim to have helped integrate the world's most populous nation into the global economy, putting it under the rule of international law with an accord that could also spur China's faltering economic reforms.

Monday, the White House would not publicly discuss Clinton's conversation with Jiang, and on Sunday White House officials even denied it had taken place. Clinton has insisted on a veil of secrecy around the delicate negotiations.

But one official close to the negotiations, insisting on anonymity, said that Clinton and other top officials had a hard time evaluating Jiang's intentions during the conversation on Saturday. While the Chinese leader agreed to receive Clinton's delegation, it was unclear whether he was ready to overcome the political opposition in China to opening the country's markets -- including allowing American firms to invest heavily in telecommunications, finance and other Chinese industries.

"Things didn't sound as positive as we would like," the official said. "It was kind of right down the middle and so we decided that there was very little to lose in trying" to go and strike the deal. Another official said "there seemed to have been enough there to make it worth the effort. But the fact is they don't know exactly what they are headed into."

In a previous call with Jiang, on Oct. 16, Clinton offered to put together a "bottom line" offer -- a description of what China must do in order to get into the trade group.

Presumably that includes resolving existing disagreements on telecommunications, financial services, textiles and Washington's rights to unilaterally impose sanctions if it believes that China is dumping its exports in the United States. The last point is a critical one for Vice President Al Gore, who has been under tremendous pressure from American labor unions -- which have opposed a WTO deal with China -- not to give up the right to slap punitive tariffs on low-cost Chinese steel, textiles and other products.

Clinton's team does not have much time to reach the enormously complex agreement -- which would entail hundreds of pages of trade concessions by China -- before the world's trade ministers gather in Seattle at the end of this month. That meeting gives Clinton some negotiating leverage, because if it is clear that China is about to enter the WTO, Beijing will be able to play a role in setting the agenda for the next global round of trade negotiations.

But Clinton is under pressure, too. The World Trade Organization's legitimacy is vastly reduced if one of the world's biggest trading nations is not included.

Clinton is clearly sensitive about the criticism that he missed a huge diplomatic moment with China last April, when Prime Minister Zhu Rongji arrived in Washington with an offer to open China's markets that impressed American business executives with its breadth and depth. Clinton's own advisers have said he was focused on other things at the time -- notably the war over Kosovo -- and feared that Congress would reject China's proposal.

The president commented on that decision for the first time last week. "A lot of people have said we had an agreement in April and that we walked away from it because there was opposition from the American labor movement," he said. "I've read that a hundred times. That is absolutely not true."

Monday Clinton said little about his weekend decision to send Ms. Barshefsky, accompanied by Sperling, who would ordinarily have spent the week in last-minute budget negotiations with Congress. Asked to rate the chances of striking a deal, the president said, "I don't know but I hope so. Ambassador Barshefsky and Mr. Sperling have gone over there to work on it and we're doing our best."

Sending along Sperling may send two different political messages simultaneously, one to the Chinese and another to labor and other opponents of the deal in the United States.

Chinese officials clearly feel mistreated by the White House's handling of Zhu's visit, and they know that Sperling, along with Robert E. Rubin, who was then Treasury secretary, thought the deal could not be sold to Congress. His appearance alongside Ms. Barshefsky -- who had urged Clinton to accept the deal with China, with some amendments -- is a sign that she and the White House are now on the same wavelength.

More importantly, Sperling is more attuned to the mood of Congress and labor. "The thinking is that Gene's more inclined to protect Clinton and Gore politically," one of his associates said Monday.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007. talking points	Sperling Points for Meeting with Minister Shi. (1 page)	11/10/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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
008. note	Account Number. (1 page)	11/1999	b(2)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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]

MARKET ACCESS AND PROTOCOL COMMITMENTS

- **PROCESS OF CHINA'S WTO ACCESSION**

China's WTO accession represents an opportunity to address a broad range of unfair trade practices, trade barriers, discriminatory regulatory processes, lack of transparency, and other policies which limit American participation in the Chinese market or unfairly affect American trade. The broad set of commitments China has made today, and the substantial negotiations which remain to be held, will advance American interests in a fundamental way, and complement broader policies intended to move China toward internationally accepted standards of conduct.

China's accession process includes bilateral negotiations including market access (with the United States and other trade partners); bilateral negotiations toward a "Protocol" (i.e., rules) addressing U.S. concerns on issues including dumping, safeguards, and others; and multilateral negotiations on those and the remaining Protocol issues. WTO accession is thus a complex and multi-faceted process. This fact sheet covers the market access; a second (attached) covers the Protocol commitments.

Broadly speaking, the market access commitments China has made will bring China at or above existing WTO standards on issues and sectors of major concern to the U.S.. They address each layer of Chinese trade barriers to American exports. For example, at present, an American good faces not only high tariffs and at times quotas, but a web of other barriers which, if unaddressed, could make tariff reductions meaningless. These include application of unscientific sanitary and phytosanitary standards in agriculture, non-tariff barriers to industrial goods, restrictions on distribution and trading rights, and discrimination against imports and foreign-invested companies.

In each case, the U.S. has achieved commitments that address the principal barriers to American products; are highly specific and fully enforceable; are phased-in over a relatively short period of time, with increased market access in every area as of day one of China's ultimate accession; do not offer China special treatment; and meet or exceed commitments made by many present WTO members. The commitments include:

- Significant market access benefits effective immediately on China's accession.

- Full market access for U.S. firms to distribute their products throughout China.

- Tariff reductions immediately upon accession, with further phase-ins over reasonable periods of time to levels below those of most U.S. trade partners.

- Bindings for all tariffs -- i.e., China will be unable to raise tariffs again after accession.

- Elimination of quantitative restrictions.

- Resolution of outstanding problems with sanitary and phytosanitary standards for key agricultural products, effective immediately.

- Participation in the three major multilateral agreements negotiated since the Uruguay Round: the Information Technology Agreement; the Agreement on Basic Telecommunications; and the Financial Services Agreement.

- Commitments to more open service sectors which cover the broad range of sectors, including distribution, value-added telecommunications, insurance, computer and business services, environmental services, franchising and direct sales, legal and accounting, sound recordings, and entertainment software.

China's specific commitments in the three strategic areas of agriculture, industrial goods, and services are discussed below.

I. AGRICULTURE MARKET ACCESS

The agricultural market access commitments include measures to address the following problems: trading rights, distribution, high tariffs; quotas; application of unscientific SPS standards; the reliance on state trading companies; and export subsidies.

Taken as a whole, these commitments move China toward a system based almost entirely on tariffs, with extremely low tariff rates (1-3%) in most bulk commodities. More specifically, it reduces tariffs to levels below those of most American trade partners, with the greatest reductions in the areas of top priority to U.S. producers; binds tariff concessions; eliminates quantitative restrictions on imports; requires use of science-based SPS standards; reduces the role of state trading enterprises for key commodities; and eliminates export subsidies.

A. TARIFF REDUCTIONS

China will reduce tariffs immediately on accession, and when fully phased in will result in tariff levels comparable with or better than those of many of our other major trading partners (including developed country trading partners).

Average Rates - Overall, China will reduce its overall average tariff for agricultural products to 17%. The tariff reduction will be greater for U.S. priority products. In these sectors the average tariff will drop to 14.5%.

Phase-in Periods -- All tariff cuts will be implemented by 2004, the date when all other WTO members will have implemented their Uruguay Round tariff cuts.

All agricultural tariffs will be bound (cannot be increased). Specific examples include:

Soybeans - a 3% tariff will be bound on accession.

Meats -- Tariff reductions include:

Present 2004

Beef 45% 12%

Pork 20% 12%

Poultry 20% 10%

Fruits -- Tariffs reductions include:

Present 2004

Citrus 40% 12%

Grapes 40% 13%

Apples 30% 10%

Almonds 30% 10%

Wine -- Tariffs on wine will be reduced by 70%, from 65% to 20%.

Dairy - Tariff reductions in dairy include:

Present 2004

Cheese 50% 12%

Ice Cream 45% 19%

B. TARIFF RATE QUOTA SYSTEM FOR BULK COMMODITIES

China's commitments follow WTO standards in eliminating all quantitative restrictions. In particularly sensitive sectors, China will adopt tariff-rate quotas (i.e. a system in which imports up to the quota level are charged a minimal tariff -- usually 1-3% -- and imports above that level a high tariff). This system provides a very strong incentive for state enterprises to purchase bulk commodities at world market rates.

The total levels of these TRQs are substantially above present import levels on accession, and provide for future growth. In all cases, we sought to maximize likelihood that the full quota would be used and ensure opportunity for private traders to participate, both by allocating an initial share of the quota to private traders and providing for reallocation of quota from state enterprises to private traders if state enterprises do not buy the full TRQ amount.

Results in U.S. priority sectors are as follows:

Soybean Oil - TRQ eliminated by 2006. The TRQ will start at 1.7 million metric tons, rising to 3.3 million tons by 2005. Private sector trade will begin at 50% and rise to 90%.

Wheat - Quota on accession is 7.3 million metric tons, rising to 9.3 million metric tons. (Compares to present Chinese import level of less than 2 million metric tons.) Private sector will initially receive 10% of this quota, with reallocation of any unused state enterprise portion available later in the calendar year.

Corn - Quota on accession is 4.5 million metric tons, rising to 7.2 million metric tons. (Compares to present import level of 250,000 metric tons.) Private sector will initially receive 25% of this TRQ, rising to 40% by 2004, with reallocation of any unused state enterprise portion available later in the calendar year.

Rice - Quota on accession is 2.6 million metric tons, rising to 5.3 million metric tons. Half of this will cover short and medium grain rice, where the U.S. is most competitive. 50% of this TRQ will go to the private sector. (Compares to present import level of 250,000 metric tons.)

Cotton - Quota on accession is 743,000 metric tons, rising to 894,000 tons by 2004. (Compares to present import levels of 200,000 metric tons.) Private sector will have 67% of this TRQ.

Barley - No TRQ, and reduction of tariffs to 9%.

Other products in which TRQs will be applied are products in which the U.S. has little or no trade interest. These include wool, sugar, palm oil and rapeseed oil.

B. SANITARY AND PHYTOSANITARY (SPS) RESTRICTIONS:

China agrees that sanitary and phytosanitary disputes should be settled scientifically.

BILATERAL AGREEMENTS ON WHEAT, CITRUS AND MEAT

China has also agreed to lift immediately, with the signature of three bilateral agreements, (concluded in parallel with the market access agreement but effective immediately on signature) unjustified SPS bans on wheat, citrus fruits and meat. These bilateral agreements resolve longstanding disputes between the U.S. and China and can lead to rapid export growth. Furthermore, they provide a strong indication that China is willing to implement the obligations of the WTO SPS agreement.

Meat - China will open its market to U.S. pork, beef and poultry by agreeing to accept USDA certification for meat safety for U.S. exports.

Citrus - China will open its market to U.S. oranges, grapefruit and other citrus fruits, eliminating a current ban and establishing a science-based phytosanitary system. Industry estimates that trade will reach $1.2 billion in a year, an increase of $700 million over current imports through informal channels.

Wheat - China will eliminate restrictions on imports of wheat from the Pacific Northwest imposed because of unjustified concerns about TCK smut.

domestic wireline services and closed user groups: 6 years.

China's key telecommunications services corridor in Beijing, Shanghai and Guangzhou, which represents approximately 75% of all domestic traffic, will begin opening on accession and by 2003 will be open for 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 51% foreign ownership for value added and paging services in 4 years.

D. INSURANCE

In insurance, China now restricts foreign companies to Shanghai and Guangzhou. Only two U.S. firms are permitted to participate even in these markets. Thus we sought to eliminate geographic and numerical limitations -- that is, to ensure that foreign insurance companies can operate in each part of China and without artificial limitations on their activities or number of companies -- and end restrictions on foreign investment. The results include:

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.

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.

D. EXPORT SUBSIDIES

China has committed not to provide any export subsidies for agricultural products. This is particularly important for corn, cotton and rice. It also provides a strong foundation for the next WTO Round, in which total elimination of agricultural export subsidies worldwide is a major U.S. goal, already articulated by the Vice President.

II. MARKET ACCESS FOR INDUSTRIAL PRODUCTS

With respect to market access for industrial goods, China has agreed to allow freedom for U.S. firms to import, export and distribute their goods within China; significant tariff reductions to bring tariff levels to levels comparable with major trading partners and below those of most developing countries; binding of all tariff concessions; and phase-out of all quantitative restrictions on imports.

Some areas of particular interest to the U.S. include Chinese participation in a number of existing international zero-tariff agreements (including the Information Technology Agreement) as well as individual sectors including, but not limited, to autos, wood and wood products, chemicals, fishery products and others. As in agriculture, most results in industrial goods compare favorably to those of other major trading partners, particularly those in developing countries.

A. TRADING RIGHTS AND DISTRIBUTION

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.) As in agriculture, such restrictions give China a layer of protection against imports which if unaddressed would make tariff concessions of little value.

The U.S. thus has sought and won agreement for elimination of these restrictions. China will provide, for the first time, full trading rights and distribution rights to U.S. firms. These will be progressively phased in over three years. Even for its most sensitive and protected industries, such as chemical fertilizers, crude oil and processed petroleum, China will provide for trading rights and distribution. Distribution services are discussed in more detail in the following section on services trade.

B. OVERALL INDUSTRIAL TARIFF REDUCTIONS

China also agreed to provide significant tariff reductions which would be bound.

Rates - China will reduce average tariffs from the 24.6% average in 1997 to 9.44%. The average tariff for our priority products will be even lower, reaching 7.1%. This is a 56% cut from applied rates in 1998 and a 71% cut since the beginning of market access negotiations in 1994.

All Tariffs Bound -- China will bind its entire tariff schedule, meaning it will accept a legal commitment not to raise tariffs in the future above the bound level. Very few countries have done this; many retain rights to raise tariffs significantly above the rates they now apply.

Phase-in -- Two'thirds of tariff cuts will be implemented by 2003. The balance will be phased in by 2005, with a limited number of exceptions.

C. TARIFF REDUCTIONS IN US PRIORITY AREAS

As noted above, China's tariff cuts are larger in U.S. priority areas. Some provisions in areas of special interest to the U.S. include:

High Technology - China will implement the Information Technology Agreement (ITA). This will reduce tariffs from present levels averaging 13.3% to zero for semiconductors, computers, computer equipment, telecommunications equipment and other information technology products. Most of these tariff eliminations will be phased in by 2003 with some exceptions until 2005. All other ITA participants will have implemented tariff cuts by 2005.

Autos: In the auto sector, China will reduce tariffs from the current 80-100% levels to 25% in 2005, with the cuts phased in equally each year. Auto parts tariffs will fall to an average of 10%.

*** Note - in this sector, tariff restrictions are augmented by quotas under China's industrial policy for autos. These quotas will be progressively eliminated, with the point of departure China's level of imports before creation of the auto industrial policy. See below under "Quotas and Non-Tariff Measures". In addition, auto retail rights will be provided for the first time (see services section.)

APEC Sectors -- China has agreed to implementing the early voluntary sectoral liberalization initiative of APEC now under consideration in the WTO, when the WTO accepts these sectors for implementation. This would eliminate tariffs on forest products (wood and paper), environmental goods and services, energy and energy equipment, chemical harmonization, fish, toys, gems and jewelry, and medical equipment and scientific instruments.

Wood & Paper: China will reduce tariffs from present levels of 12-18% for wood and 15-25% for paper generally to levels between 5% and 7.5%. This is a sector in which tariff concessions, along with distribution and trading rights, can expand sales rapidly.

Chemicals: China has committed to the lion's share of chemical harmonization -- reducing its tariffs to the levels of other WTO members -- for 70% of chemicals, generally at 5.5% and 6.5%. (At present China's tariffs range up to 35%.) A key reduction is in soda ash, to 5.5%. Tariffs on cosmetics, pharmaceuticals, film, and certain plastics will also be cut substantially below current levels.

Fish - China will reduce tariffs from over 20% to 10% on products of importance to the United States.

Distilled spirits - China will reduce tariffs from 61% to 10%.

D. QUOTAS AND OTHER NON-TARIFF MEASURES

WTO rules bar quotas and other quantitative restrictions. China has agreed to eliminate these restrictions immediately on accession for top U.S. priorities and with phase-ins limited to five years for others.

Quotas: China will eliminate existing quotas upon accession for the top U.S. priorities (e.g. some fertilizers and 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.

III. SERVICES

China today is among the markets most closed to services exports anywhere in the world. Our goals in services thus included negotiation of commitments in a broad array of services sectors; ensuring Chinese accession to the two major existing multilateral services agreements on Basic Telecommunications and Financial Services; and creating a base from which to negotiate future improvements for access to the Chinese services market in the next WTO Round.

China's commitments on services, while we have some further work to do, are comparable to those of most WTO members. They include commitments in all major service categories (with further talks planned on banking, securities and audiovisual), 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 full "grandfathering" of current market access for U.S. service providers. Specific commitments are as follows:

A. GRANDFATHERING

China will grandfather all existing current market access and activities in all services sectors. Many companies enjoy benefits given by provincial and central authorities. All these will be protected, even if China's commitments in its services schedule provide for approval by Central Government authority. 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.

B. 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, direct sales, 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 within three years. Even in its most sensitive and protected sectors, China has agreed to provide distribution rights in five years for chemical fertilizer, crude oil, and processed petroleum products.

Services Auxiliary to Distribution

Chinese commitments in services auxiliary to distribution include express delivery services, 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 set up 100% wholly-owned subsidiaries.

C. TELECOMMUNICATIONS

China now severely restricts sales of telecommunications services and bars foreign investment. China's commitments mark its first agreement ever 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 now allows its telecommunications bureaucracies very wide discretion to apply arbitrary and discriminatory standards. China will now agree 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 and value added: 4 years

mobile/cellular: 5 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.

New Licenses -- China has recently issued four licenses, including two to American companies.

Investment -- China agreed to allow majority 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, and will phase in the right to 51% share in a joint venture in one year. For non-life, China will allow 51% ownership on accession and form wholly owned subsidiaries in 2 years.

E. BANKING

In the banking sector, China imposes severe geographic restrictions -- for example, only nine foreign banks can conduct business in local currency, and these only in the Shanghai Pudong area. Our negotiations sought full rights for foreign banks to handle both local and foreign currency business transactions (the latter obviously a major factor in opening markets to U.S. goods exports as well as services); the rights to serve Chinese as well as foreign customers; and liberalize investment. This sector remains under discussion.

F. SECURITIES

This sector remains under discussion.

G. PROFESSIONAL SERVICES

In the professional services, China currently tightly restricts operation of foreign law firms and accounting firms. With respect to these areas, we sought commitments in all significant areas, including both the right to offer services and the right to invest, and binding commitments on the already liberal policies respecting architecture and engineering.

China offers broad coverage for legal, accountancy, taxation, management consultancy, architecture, engineering, urban planning, medical and dental, computer-related services. It 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 agreed to apply national treatment in issuing CPA licenses and follow transparent procedures.

H. AUDIOVISUAL

Presently, China severely restricts distribution of sound recordings, videos, movies, books and magazines, and does not allow foreign ownership, construction or operation of cinemas. While this area remains under discussion, China's commitments cover the right to distribute video and sound recordings; and cinema ownership and operation. They include:

Video and Sound Recordings -- China will allow 49% foreign participation for the distribution of video and sound recordings.

Cinemas -- China will allow majority ownership in 3 years for construction, renovation, ownership and operation of cinemas.

I. TRAVEL AND TOURISM

Finally, China until now has imposed a number of restrictions on travel and other tourist-related services. Notably, foreign firms are limited to 11 areas in China, and cannot establish full-service travel agencies. Our goal here was a set of commitments comparable to or better than the relatively high level of commitments made by WTO members. Results include:

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.

IV. PROTOCOL AND WORKING PARTY REPORT COMMITMENTS

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. While we must still address the duration of some of these provisions and resolve other issues, agreement on the substance of these rules is of special importance to U.S. workers and business. We will also continue work on textile issues and a mechanism to ensure full implementation of commitments.

China will be presenting agreed provisions to the WTO Working Party for incorporation into the accession Protocol and Working Party Report. We will also be addressing the many other rules-related issues, such as specific provisions on China's standards, customs valuation, and national treatment in this multilateral process.

SPECIFIC PROVISIONS

During the negotiations, China has agreed that it will, upon accession, make the following commitments:

- **INVESTMENT AND TECHNOLOGY TRANSFER**

First, it will take a set of specific measures to ensure fair treatment for businesses operating in China. This will include eliminating policies to block foreign firms doing business in China from importing inputs for production (i.e., auto firms operating in China would be able to import American-made parts). ~~Measures here~~ include: These

- •comply with the TRIMs Agreement upon accession, without any developing country transition period;
- •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.

These are significant commitments that go a long way in addressing concerns about the terms and conditions of investment in China, and the government's role in what should be commercial decisions.

B. ANTIDUMPING AND SUBSIDIES METHODOLOGY

Second, the Protocol ensures guarantees that American firms and workers will have strong protection against unfair trade practices including dumping and subsidies.

Here, the U.S. and China have

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
009. paper	Services Proposal (4 pages)	11/09/1999	P1/b(1)

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

FOLDER TITLE:
China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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
010. paper	Unabridged Guide to Outstanding Service Issues. (6 pages)	04/23/1999	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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
011. talking points	Duplicate of 007. (1 page)	11/1999	P1/b(1)

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

FOLDER TITLE:
China (November 1999 Negotiations) [3]

2010-1024-F
vz1861

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]