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State Analysis of NTR

CHINA MFN DETERMINATION--TIMING CONSIDERATIONS

SUMMARY

The President's Jackson-Vanik/MFN waiver authority under section 402 of the Trade Act on 1974 (Pub. L. No. 93-618), as amended (hereinafter "Act"), expires at midnight of July 2 each year. Such authority may be extended annually if the President determines and reports to Congress that extension of the waiver will substantially promote the freedom-of-emigration objectives of section 402. If such a report is made, the waiver authority continues in effect unless disapproved by Congress--either generally or with respect to a particular country--within "60 calendar days after the date the authority would expire but for the extension". H.R. Rep. No. 103-575, 103d Cong., 2nd Sess., p. 2 (June 30, 1994). Under amendments to title IV adopted as part of the Customs and Trade Act of 1990 (Pub. L. No. 101-382), disapproval shall take the form of a joint resolution disapproving the extension of the President's authority to waive the Act's freedom of emigration requirements. If the joint resolution is vetoed, Congress has until the later of 15 "legislative days" (as defined in section 154(b) of the Act) after receipt of the veto message or 60 calendar days after expiration of the existing authority to vote to override the veto.

DISCUSSION

o Under section 402(c)(2) of the Trade Act of 1974, 19 U.S.C. 2432(c)(2), the President may [during any period subsequent to the 18 month period beginning on the date of enactment of the Act, i.e., January 3, 1975] waive by executive order the application of the MFN trade restrictions of subsections 402(a) and (b) (the Jackson-Vanik provisions), if he reports to Congress: (i) his determination that the waiver will substantially promote the freedom of emigration objectives of section 402; and, (ii) his receipt of assurances that the emigration practices of the affected country will henceforth lead substantially to the achievement of the objectives of section 402. Such a waiver is in effect for China.

o Under section 402(c)(3), a waiver with respect to any country terminates automatically on the day after the waiver authority ceases to be effective, i.e., the waiver terminates on July 3 of each year.

o However, under section 402(d)(1) of the Act, the President may recommend to Congress the extension of the waiver authority, and the extension of waivers currently in force for specific countries, if he determines that this will "substantially promote the objectives" of section 402. Any such extension recommendation shall be made "not later than

30 days before the expiration of such authority," (i.e., not later than June 3 of each year); shall be made in a document transmitted to both the House and Senate, setting forth the rationale for recommending extension of the waiver authority; and, shall include both a determination that such extension will "substantially promote the objectives of" section 402 and the rationale for such a determination.

o If the President makes such a recommendation, the waiver shall continue for an additional 12 calendar months, (i.e., until midnight of July 2 of the following year), "unless a joint resolution described in section 153(a) is enacted into law pursuant to the provisions of paragraph [402(d)](2)." Under section 402(d)(2), Congress has 60 days beginning on the date the waiver authority would expire (i.e., midnight, July 2) to adopt the joint resolution of disapproval. If the President vetoes the joint resolution, Congress has until the later of either the last day of the 60 day period or "the last day of the 15-[legislative] day period...beginning on the date Congress receives the veto message from the President" to override the veto.

o If the joint resolution of disapproval is enacted into law, the waiver authority applicable to any country subject to the joint resolution ceases to be effective the day after the 60-day period beginning on the date of enactment of the joint resolution.

Recap of Relevant Dates

June 3: If the President wishes to extend the waiver of the Trade Act's Jackson-Vanik provision for another 12-month period, he should do so by transmitting the necessary determination and report to both houses of Congress on or before Monday, June 3.

July 2: Absent presidential action to extend the waiver, the extension (and with it, MFN treatment) expires by force of law on midnight, Tuesday, July 2. In the absence of an extension of the waiver, China would no longer be eligible for MFN tariff treatment for its goods. [Note: this could result in a suspension, in whole or in part, of the 1979 U.S.-PRC bilateral Agreement on Trade Relatuons, 31 UST 4651, Art. II of which provides for reciprocal MFN treatment.] If this were to occur, it appears that the President could only restore MFN treatment for China (pursuant to sections 404(a) and 405(c) of the Act) by issuing a proclamation and obtaining congressional approval in the form of a joint resolution as described in section 151(b)(3).

August 31: If the President timely exercises his 402(d) authority to extend the waiver, Congress would have 60 days from the date the existing authority would have expired within which to adopt a joint resolution of disapproval, i.e., until August 31.

Related Timing Issues

- The time limits for waiver extension under section 402(d) are fixed by statute and are, therefore, not variable by Executive action. The 60-day period is keyed to the date of expiration of the current waiver authority, and not the date of submission of a recommendation that the waiver be extended. The President thus could not legally "advance the hands of the waiver extension clock" (thereby making earlier the date by which Congress would have to issue its joint resolution of disapproval) by making his extension recommendation prior to June 3. The point is that the dates when the waiver extension takes effect and when Congress must act are not variable absent a change in the law.

- Because the language of the relevant provisions of the Trade Act is so clear and unambiguous with respect to the 12-month extension recommendation limitation, it is also legally impossible for the Executive to move to multi-year waiver extensions absent a change in the law.

NEC Analysis of NTR

Previous -- NEC Annual NTR (May 2)

Annual NTR Vote

Malcolm chaired a meeting with USTR, WH Leg, and NSC on Friday to discuss options for the annual NTR vote. This is an issue that the Principals may want to discuss briefly during the Tuesday Principals Meeting. Daley will likely ask Charlene to discuss this. Because it is highly unlikely that China will accede to the WTO and get permanent NTR before August 31 (the date by which Congress must approve a disapproval resolution of the annual renewal), the President will be forced to notify Congress by June 3 of his intention to renew NTR for another year, notwithstanding the possibility of passage of PNTR legislation in May (House) and June (Senate). **This means that there will likely be 2 votes on China, one on PNTR, and one an annual renewal, this summer.**

- Can we prevent two votes? The feeling among legislative folks was that we shouldn't worry too much about a second annual renewal vote. Those that supported PNTR will get no credit for a split vote, and the timing of the PNTR vote in late May (with the PNTR vote first) works against a split vote scenario. The worst that can happen is the House would deny renewal, but the Senate would approve. No one believed we should amend the PNTR legislation the President sent forward to take care of both -- but rather that we should keep it clean. The disapproval resolution is privileged so it is unlikely Republican leadership could prevent a vote. Perhaps if the Senate voted first, rendering the House vote moot, we might prevent the inconvenience of a House vote on annual renewal.

- Background: The President's waiver authority (i.e., his ability to extend NTR to China for another year) expires at midnight on Sunday, July 2, 2000. To extend the waiver, the President must transmit the necessary report to Congress by Saturday, June 3. Without Presidential action, NTR would expire at midnight on July 2. If the President timely exercises his authority to extend NTR, that extension is automatic unless Congress passes a joint resolution of disapproval by August 31.

There was a feeling that the NTR vote will not raise problems or be particularly controversial for most Members. The group's suggestion was that we treat the NTR vote as a "non-issue" -- a necessary bridge between China's current status and its accession to the WTO.

Additional Background on NTR

President's Legislation. The legislation we sent to the Hill provides that we will apply PNTR to China on the date of its accession to the WTO.

When we were drafting the legislation, State had suggested adding a provision that would have granted both PNTR and annual renewal of NTR. Because we wanted to send up clean legislation, that proposal was rejected.

China's Accession Process. Once the EU and others complete multilateral negotiations (the EU and China are scheduled to meet on May 15), the Working Party and China will work to complete the protocol package. The Working Party Members must approve the protocol package before sending it forward to the WTO General Council for final approval. Once the General Council approves the package, China must complete all necessary domestic procedures required to ratify the WTO Agreement. Once this is done, China can then file its notice of acceptance with the WTO -- but will not become a WTO member until 30 days later. It is very unlikely that this process would be completed prior to August 31, 2000.

NTR Process. For a thorough discussion of NTR timing requirements, see attached State Memo. As you know, the Trade Act of 1974 regulates extension of MFN/NTR treatment to non-market economies. Section 402 of that Act -- Jackson-Vanik -- allows a non-market economy to receive NTR status only if the President determines that it permits free and unrestricted emigration of its citizens. Jackson-Vanik authorizes the President to waive the requirements for full compliance, however, if he determines that such a waiver will substantially promote the objectives of the freedom of emigration provisions.

This annual renewal procedure requires the President to submit to Congress a recommendation for a 12-month extension of the waiver authority at least 30 days prior to its expiration -- i.e., by June 3 each year. The extension of the waiver authority for an additional 12-month period is automatic unless a joint resolution disapproving an extension is enacted into law within 60 days after the expiration of the previous waiver authority. This year, that date falls on August 31.

If a Member of Congress submits a disapproval motion -- which is almost certain to happen -- that motion is privileged, i.e., it must be voted upon. Assuming that we win PNTR, a vote on annual NTR should not be controversial, and the President's transmittal letter could include language suggesting that this is merely a bridge until China's accession. If we lose PNTR, a vote on annual NTR would obviously be more controversial -- likely forcing some Members to make inconsistent votes.

Options

- Option 1: Proceed with annual NTR vote as usual. Assuming PNTR is passed, the President could submit a transmittal letter to Congress emphasizing the low-key nature of this vote -- noting that we are pleased that this will be the last vote necessary on China's annual NTR status and that this is effectively a stop-gap measure necessary only until China accedes.

- Option 2: Annual renewal but seek Senate vote first. Could forestall messy House vote.

- Option 3: Amend our legislation to cover the annual NTR vote as well. Pros: this avoids two votes on China. Cons: we sent up clean legislation -- but now want to amend it. Too messy.

Malcolm R. Lee
05/04/2000 03:38:58 PM

Record Type: Record

To: Richard M. Samans/OPD/EOP@EOP
cc: timothy e. punke/opd/eop@eop, lael brainard/opd/eop@eop, sharon h. yuan/opd/eop@eop
bcc:
Subject: Re: international labor initiatives --- discussion draft

Rick:

Thanks. This is a strong, useful overview of what we are doing. I'm not sure the public knows we are doing all this. I'm not even sure U.S. economic officials know we are doing all this.

Need to discuss with Lael and Gene how best to use it in the China PNTR context. Will raise question why we aren't doing more with China, but we already have a separate paper on labor aspects of PNTR.

Lael: suggest we give this to Gene for review over weekend. We could discuss at Gene's policy group meeting tomorrow, but may make more sense for Gene to review it first. Also may make sense to circulate interagency to the China and labor-related folks for a read. Has this been seen interagency yet?

Lael please advise. ML

n ettih forward to Lael and Gene and discussa
Richard M. Samans

Richard M. Samans
05/04/2000 01:09:00 PM

Record Type: Record

To: Malcolm R. Lee/OPD/EOP@EOP, Timothy E. Punke/OPD/EOP@EOP, Lael Brainard/OPD/EOP@EOP
cc: Sharon H. Yuan/OPD/EOP@EOP
Subject: international labor initiatives --- discussion draft

international labor initiatives-05040 Attached is a summary of the Administration's various efforts to promote core labor standards abroad, per the China effort. Needs a little further work but ready for discussion in Gene's group if desired.

DRAFT: 5/04/00

LEVELING UP: CLINTON ADMINISTRATION INITIATIVES TO PROMOTE RESPECT FOR WORKER RIGHTS ABROAD

The Clinton Administration's international economic policy agenda is devoted to raising living standards and broadening participation in the benefits of global economic integration among and within nations. As the President has said, "we must put a human face on the global economy, giving working people everywhere a stake in its success, equipping them all to reap its rewards, providing for their families the basic conditions of a just society." Expansion of trade and investment contributes to higher living standards by enhancing economic growth and efficiency. Implementation of core labor standards helps to translate increased economic growth into broad-based gains in living standards, which in turn can reinforce growth by strengthening consumer demand. This virtuous cycle holds the key to leveling up living standards as the world's industrialized and developing economies become more intertwined.

It is for this reason that, at the same time the Administration is pursuing a wide range of trade liberalization opportunities, it is engaged in a multi-faceted, global effort to encourage implementation of core labor standards. Several agencies, including the Department of Labor, Department of State, Office of the U.S. Trade Representative, and Department of the Treasury, are actively engaged in a range of bilateral and multilateral activities to promote international respect for worker rights, seeking to make progress where and when it is feasible. Each is working to follow up on the President's appeal to the major global economic institutions, made in a series of speeches during visits to them over the past two years, that they adapt their activities to help developed and developing countries translate greater trade and investment into the broadest possible gains in living standards for their citizens. Following is a survey of these bilateral and multilateral activities and their ongoing progress.

ADVOCACY OF CORE LABOR STANDARDS THROUGH THE ILO

In June 1998, the United States Government led an effort during the annual conference of the International Labor Organization (ILO) to gain consensus on a set of core labor standards which all member states could support, regardless of whether they had ratified the relevant ILO conventions. The Declaration of Fundamental Principles and Rights at Work and Its Follow-Up was approved unanimously by all member states of the ILO and from the very fact of membership in the Organization, obligates them to promote and realize in good faith the following set of principles or core labor standards:

- freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced or compulsory labor;
- the effective abolition of child labor; and
- the elimination of discrimination in respect of employment and occupation.

The follow-up mechanism is designed to measure member countries' promotion and implementation of the fundamental principles, and is focused on technical cooperation as the means of action. It contains two parts:

- An Annual Report is requested from all member countries which have not ratified the relevant Conventions. A group of Independent Declaration Expert Advisors (IDEA) reviews the reports and provides a summary and recommendations to the Governing Body for its consideration at each March meeting. These Governing Body discussions will help to focus the ILO's promotional activities towards the goal of universal ratification and implementation of the core Conventions.

- In June of each year, the International Labor Conference will consider a Global Report on one of the four categories of fundamental principles. In June 2000, the Global Report will consider Freedom of Association. The information for the report is drawn from a number of sources including the Annual Report and reports from countries which have ratified the relevant Conventions. The outcome of those discussions will guide the ILO's technical cooperation program over the next four years aimed at universal application of the principle of freedom of association.

In recognition of the obligation of the ILO to assist its Members, the Declaration commits the ILO to offer technical assistance and advisory services to promote and realize the principles concerning fundamental rights at work, making full use of its constitutional and budgetary resources, including the mobilization of external resources and support.

In January 1999, President Clinton announced an international labor standards initiative to create a new arm of the ILO, to work with developing countries to put in place basic labor protections, including the right to organize, so that workers everywhere can enjoy fundamental principles and rights at work–rights that are crucial to building a strong and stable global economy.

In Fiscal Year 2000, the Administration requested and received from Congress $20 million to be provided to the ILO to assist countries in implementing the core labor standards embodied in the 1998 Declaration. The funds are managed by the U.S. Department of Labor, which is working closely with the ILO to target the monies at countries where there is a clear need for assistance and a willingness among the government, and employer and worker representatives to adhere to the principles of the Declaration. On April 12, 2000, the U.S. Department of Labor and the International Labor Organization signed a cooperative agreement which grants the $20 million to the ILO, identifies the countries targeted for assistance, and sets forth the operational procedures and policies of the program. The President's FY 2001 budget also requests $20 million to be provided to the ILO to continue to assist countries in implementing the core labor standards embodied in the 1998 Declaration.

ADVOCACY OF CORE LABOR STANDARDS THROUGH TRADE POLICY

The Clinton Administration has worked to promote core labor standards and other critical labor goals such as safe working conditions through trade policy institutions, international negotiations and agreements, the use of incentives under U.S. trade law, and bilateral initiatives with specific countries.

World Trade Organization (WTO): President Clinton made a very well received address to the WTO Geneva Ministerial meeting and emphasized the need for trade to lead to a leveling "up" rather than "down" for workers. He proposed a high-level meeting between the Secretariats of the ILO and WTO to examine ways in which the two organizations can collaborate. The President also stressed the need for greater transparency and an active role by civil society, including labor. He also spoke about his strong feelings about the relationship between trade and labor at the 1999 WTO Ministerial in Seattle and while there also held a meeting with the leaders of major international economic institutions, including the ILO.

The United States has raised labor standards in country policy reviews under the WTO's Trade Policy Review Mechanism (TPRM). In these reviews each WTO member's trade regime is examined, and other members are provided an opportunity to raise questions. For example, in the recent Swaziland TPRM review, we sought clarifications about labor practices that we believe are inadequate. Some WTO members claim that these questions are inappropriate in the context of WTO proceedings.

The United States has urged the WTO to adopt a formal consultative mechanism to allow regular and continuous contact with the private sector and NGOs, and the Director General has traveled to the United States to meet with representatives of organized labor and other NGOs.

The United States actively participated in a group of like-minded countries brought together by Belgium in Geneva to discuss the trade-labor link. Ten countries were involved in this exercise, which developed a globalization working group proposal which would include issues related to living standards and labor and was introduced for consideration by Canada at the 1999 WTO Ministerial meeting in Seattle.

The United States introduced a proposal for consideration by the 1999 WTO Ministerial calling for the establishment with that organization of a Working Group on Trade and Labor. Foreign countries were contacted repeatedly to seek their support and officials were demarched at all levels. This initiative was debated at the Seattle Ministerial, but like the Ministerial itself, no conclusion was reached.

International Negotiations and Agreements:

- **FTAA:** The Free Trade Area of the Americas (FTAA) Trade Ministers established the Government Committee on Civil Society (GCCS) to broaden public support for and understanding of the FTAA. The GCCS received written comments from many sectors of civil society, including labor, in 1999 and has again this year solicited written comments. The GCCS presented a report on the views presented by civil society to the Trade Ministers at the November 1999 Ministerial in Toronto and will report on this year's comments at the April 2001 Ministerial. The U.S. is working to ensure that civil society comments are taken into account throughout the FTAA negotiations and to expand the activities of the GCCS to enhance its role in increasing civil society participation in the FTAA.

- **Multilateral Agreement on Investment (MAI):** The Administration sought to include some commitments on labor standards in the MAI at the time it was being negotiated in the Organization of Economic Cooperation and Development (OECD).

- **North American Agreement on Labor Cooperation (NAALC):** The North American Agreement on Labor Cooperation (NAALC), the labor supplemental agreement to the North American Free Trade Agreement (NAFTA), is historic in that it is the first labor agreement to accompany a trade agreement. Under the NAALC, we have been able to establish unprecedented transparency with regard to labor law and its administration in Mexico and Canada. The NAALC has provided increased public scrutiny and dialogue, particularly through the public submission process, on issues involving freedom of association and trade union rights, discrimination in employment, health and safety, and child labor concerns. For example, as a result of the NAALC processes, Mexico has taken steps to clarify that employment-related pregnancy screening for women is illegal under Mexican law, and it has set up a unit in the Mexican Labor Ministry to oversee concerns about women's employment issues. Mexican courts have also issued some recent decisions that have clarified the right of Mexican workers to have more than one union in certain workplaces. In addition, we have established cooperative programs and technical exchanges on health and safety matters and child labor law enforcement.

Effective Use of U.S. Trade Law: U.S. trade law, through the Generalized System of Preferences (GSP), the Caribbean Basin Initiative, and the Andean Trade Preferences Act, offers incentives for countries to improve labor practices; beneficiary developing countries can lose GSP duty-free benefits if they do not respect internationally recognized labor rights. The General Accounting Office in July 1998 published a report entitled "Caribbean Basin: Worker Rights Progress Made, but Enforcement Issues Remain" that notes that the Administration has been effective in using its trade preference programs to motivate improvements in worker rights. Senator Hollings had requested this report of the apparel industry.

Numerous petitions have been reviewed involving worker rights deficiencies in beneficiary countries of our GSP program. Improvements were obtained in most of these cases, but we suspended half of Pakistan's benefits and removed the Maldives from the program when sufficient progress was not obtained.

Bilateral Incentives: An incentive was included for the first time in a textile trade agreement aimed at improving the enforcement of labor laws in a textiles-exporting country. Specifically, the U.S.-Cambodia textile agreement offers increased quotas to Cambodia in return for better labor law implementation.

ADVOCACY OF CORE LABOR STANDARDS THROUGH THE IFIs

The Administration has promoted core labor standards through its membership and participation in the International Financial Institutions (IFIs): the International Monetary Fund (IMF), the

World Bank, and the regional multilateral development banks (MDBs) -- the Inter-American Development Bank (IDB), the Asian Development Bank (ADB), and the African Development Bank (AfDB).

Consistent with the **[Sanders Amendment–need correct title]**, the Department of the Treasury on behalf of the United States has used its voice and vote in the IFIs to promote core labor standards. President Clinton addressed the opening of the 1998 International Monetary Fund/World Bank Annual meeting, where he stated: "We must put a human face on the global economy. An international market that fails to work for ordinary citizens will neither earn, nor deserve their confidence and support."

Secretary of the Treasury Summers called for World Bank support for core labor standards in statements to the World Bank Development Committee in 1999 and 2000. During the 1999 Annual Meetings Secretary Summers met with the ILO Director General and agreed to support joint work with IMF and the World Bank, and Treasury supported a meeting of G-7 member governors with the ILO Director General. Treasury organized two meetings during 1999 that brought together the U.S. Executive Directors (USEDs) of the IFIs and senior Administration officials to reinforce the importance of labor issues with the USEDs and as fora to strengthen interagency cooperation.

The Department of the Treasury regularly raises labor issues in discussions of World Bank Country Assistance Strategies (CASs), most recently in the cases of Brazil and Honduras, and reviews all loans of the MDBs for labor issues, including core labor standards. During 1999, the Administration secured protection for core labor standards in a loan to an export-processing zone (EPZ) by the private sector lending subsidiary of the IDB, the Inter-American Investment Corporation (IIC). The IDB also committed to implement a monitoring program to oversee labor standards in Honduran EPZs.

The U.S. Executive Director consistently raises labor issues during the discussion of IMF programs and surveillance activities of member countries. The IMF has begun to pay greater attention to labor issues, including core labor standards, in its country surveillance activities. During 1999, the United States raised labor rights and standards issues at the IMF in the cases of Colombia, Indonesia, Korea, Mexico, Morocco, and Thailand, among others. Thus far in 2000, Treasury has done the same in the cases of Argentina, Bangladesh, Bulgaria, Ecuador, Indonesia, Mexico, South Africa, and Thailand.

The Administration has also promoted closer relations and collaboration between the IFIs and the ILO. In 1999, the ILO was granted ongoing observership status to the World Bank/IMF Development Committee and the IMF International Monetary and Financial Committee. The ILO and World Bank cooperate regularly on child labor issues and held a high-level meeting during February 2000 to improve cooperation and joint work. This followed on a meeting among the ILO, World Bank, and IMF heads in November 1998. The IMF and World Bank cooperated with the ILO and the AFL-CIO in hosting a high level conference on core labor standards during the

Annual Meetings of the two financial institutions in September 1999. With the support of the United States, the World Bank established a Labor Markets Group within its Social Protection Department in 1998. The Group is now fully operational, cooperates closely with the ILO, and focuses on issues of core labor standards, industrial relations, labor markets, employment, and related matters.

The Department of the Treasury has developed a loan screening procedure for labor standards for use by the Multilateral Development Banks (MDBs), which it has submitted to the institutions for comment. Some of the IFIs have taken actions that indicate that core labor standards are being considered more explicitly in their operations:

- The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) of the World Bank, and the Inter-American Investment Corporation (IIC) of the IDB, have adopted contract language prohibiting the use of child labor and forced labor in projects they support and requiring compliance with all domestic legislation that enforces core labor standards.

- The International Development Association (IDA) of the World Bank has decided that core labor standards must be analyzed in the preparation of country assistance strategies (CASs), and is working with the Bank to implement this commitment.

- The AfDB has agreed to include core labor standards in its sectoral and cross-sectoral policy guidelines and in country strategy papers (CSPs).

- A Child Labor Program has been established within the World Bank's Human Development Network. The Program supports various projects on child labor reduction, including research and analyses, pilot studies, and internal and external dissemination through training, seminars and via a forthcoming website. The Bank has significantly expanded its cooperation with the ILO, UNICEF, and NGO's to combat child labor.

- The ADB recently implemented a technical assistance project to improve country performance on child labor, gender discrimination, and safety and health in Bangladesh, Nepal, the Philippines, and Thailand. The IDB has provided technical assistance to improve country performance on core labor standards for a number of years through its Multilateral Investment Fund (MIF). During April the Board approved a project to support trade union leadership training in Brazil. The IDB recently agreed to constitute a working group to discuss areas of cooperation, including technical assistance, with the Inter-American Regional Labor Organization (ORIT).

- World Bank Structural Adjustment Loans to Brazil and Indonesia, and an IDB Structural Adjustment Loan to Brazil, approved in conjunction with the IMF programs for those two countries, included significant protection for social sector budgets, with provisions for programs intended to keep children out of the workplace and in school. The World Bank has prepared a major loan in the amount of $250 million for Brazil, which would further support this program.

ADVOCACY OF CORE LABOR STANDARDS THROUGH OTHER MULTILATERAL AND PLURILATERAL FORA

UN System: Negotiations are currently underway among United Nations (UN) member states to agree on further measures to fulfill commitments made by governments at the World Summit on Social Development in Copenhagen in 1995, including commitments to observe core labor standards. The United States is pursuing support for a proposal to call upon the ILO and other UN institutions, including the Bretton Woods institutions, to plan and carry out coherent and integrated approaches with host countries to promote core labor standards and ensure that realization of these workers' rights is fully integrated into macroeconomic policies and national development programs, including poverty reduction strategies. Partly as a result of U.S. efforts, agreement has already been reached to call on governments of all member states to support the ILO's program of decent work, which includes core labor standards, and to support and participate in the global campaign for the immediate elimination of the worst forms of child labor.

The United States raised core labor standards in an address to the Economic and Social Council High Level Meeting on Market Access and emphasized need for the ILO and WTO to collaborate on joint studies, research, and papers. This also was done at the October 1998 meeting of the United Nations Commission on Trade and Development.

OECD: The OECD's Guidelines for Multinational Enterprises are currently under review in the Committee on Investment and Multinational Enterprises (CIME). Agreement has been reached to revise the Guidelines to explicitly include all of the core labor standards. Discussion continues on revising implementation procedures, with the U.S. encouraging the committee to consider revisions that will make the Guidelines a stronger, more effective instrument. The OECD Trade Committee, partly at U.S. urging, prepared a draft update of its 1996 study *Trade, Employment and Labor Standards: A Study of Core Workers' Rights and International Trade.* The draft has been discussed in the Trade Committee and the Employment, Labor and Social Affairs Committee and will be reviewed further by the Trade Committee in mid-May. A revised version of the paper, incorporating comments from the United States and other governments, is expected later this year.

G-8: At the G-8 Summit in Cologne in June 1999, the United States was instrumental in securing a commitment by the group to promote the ILO Declaration on Fundamental Principles and Rights at Work and Its Follow-Up and to urge the World Bank and IMF to incorporate these standards in their policy dialogue with developing countries.

Summit of the Americas: At the Second Summit of the Americas held in Santiago de Chile in 1998, the leaders of the democratically-elected governments of the Hemisphere agreed to a political declaration and action plan. This plan provides for a committee of government representatives to hear the views of civil society and provide input to the trade ministers during the FTAA (Free Trade Agreement of the Americas) negotiations. Also included in the plan are items dealing with: 1) modernization of labor ministries and 2) basic worker rights.

Transatlantic Economic Partnership (TEP): The declaration launching the TEP included multilateral actions in support of the observance of core labor standards and reaching agreement on the ILO declaration and follow-up mechanism. It noted the importance of the social partners in the process and rejected the use of labor standards for protectionist purposes. The declaration also calls for advancing our shared values in the areas of labor and the environment. Finally, it reaffirmed the commitment in the New Transatlantic Agenda to promote dialogue between representatives of consumer and labor interests "as illustrated by the helpful second meeting of the Transatlantic Labor Dialogue held in London in April." Several activities relating to labor have been held under the TEP, the latest being an EU-US seminar on labor and economic integration in Washington in late 1999. Among the issues we have agreed to discuss are worker rights provisions in our respective GSP programs and additional support for the ILO International Program for the Elimination of Child Labor.

BILATERAL ADVOCACY OF CORE LABOR STANDARDS

Bilateral Technical Assistance Program for Core Labor Standards and Social Safety Net Programs: The link between core labor standards and social safety nets is particularly vital in developing countries. Where workers have no access to a minimum income and other forms of social protection, they may be unwilling to take the risks they would face in exercising their rights to basic standards in the workplace. Developing countries historically have proven unable to provide viable income maintenance programs such as unemployment insurance, pensions and social security, disability insurance and workers compensation; as well as other provisions on the spectrum of social safety net policies, including job placement services for dislocated workers, skills training for disadvantaged workers, and publicly available labor market information to support the development of appropriate policies and programs.

In Fiscal Year 2000, the Administration requested and received from Congress $10 million for bilateral technical assistance to promote the development of market-oriented social safety net programs that facilitate worker protection and economic growth. The bilateral initiative is being closely coordinated with the multilateral ILO core labor standards initiative and responsive to worthy requests for assistance. The funds are managed by the U.S. Department of Labor. Country selection for the bilateral initiative is made through a consultative process also involving the U.S. Department of State, USAID, the U.S. Council for International Business, the AFL-CIO, and other stakeholders as appropriate. Illustrative projects in FY 2000 include a labor market information and model job bank system for the Anglophone Caribbean region; the establishment of a regional safety and health institute for Central America; an occupational safety and health program in Bangladesh; a model veterans' employment training program in South Africa and Nigeria; a model workplace HIV/AIDS education program in Malawi; a pilot employment and training center in Africa; and a mine safety and model dislocated worker programs in the Ukraine.

The President's FY 2001 request contains an additional $10 million in bilateral technical assistance. The FY 2001 initiative will allow the Department to respond to numerous requests for technical assistance based on need and strengthen the ability of Ministries to enforce their local labor laws and lift up working conditions and create a more stable and secure global environment.

Diplomatic Outreach Capacity and Activities: The Secretary of State has significantly expanded the Department's capacity to monitor and promote respect for core labor standards around the world through an increase in the number of Labor Officers both in Washington and at overseas posts. The Office of International Labor within the Department's Bureau of Democracy, Human Rights and Labor has been expanded from three to nine positions and the number of overseas Labor Officers has risen from 35 to 50. The Secretary has also named a "Special Representative for International Labor Affairs,"a senior policy advisor reporting directly to her on international labor matters.

In 1999, the Secretary of State named an Advisory Committee on Labor Diplomacy, whose mandate is to make recommendations regarding the revitalization of U.S. labor diplomacy. The Committee is composed of prominent leaders in the labor community, including Chairman Thomas Donahue, former President of the AFL-CIO, John Sweeney, President of the AFL-CIO and Ray Marshall, former Secretary of Labor. The Committee is preparing recommendations to improve the effectiveness and efficiency of labor diplomacy programs and to ensure U.S. leadership in the international community in promoting worker rights in the 21st century. The Committee expects to send its first set of recommendations to the Secretary this summer.

The State Department's labor diplomacy capability is used regularly to assess needs in host countries for technical support to improve observance of core labor standards and to facilitate the delivery of responsive technical assistance programs by the U.S. and international organizations. Labor Officers provide information necessary to effectively administer labor provisions of a number of U.S. programs such as the Generalized System of Preferences (GSP) as well as targeted initiatives such as the President's Executive Order banning procurement by the U.S. of products made with forced child labor. Labor Officers are also asked to advocate with host governments for support of measures in international fora to promote core labor standards. A notable example was a series of demarches to governments around the world in support of the U.S. proposal to the WTO Ministerial to create a Working Group on Trade and Labor.

Enhanced Reporting Capacity on International Labor Standards: The Administration proposes to further improve the ability of the U.S. Government to assess the capacity of developing countries to respect core labor standards and to respond to opportunities and challenges in those countries with respect to their enforcement of domestic labor laws and fundamental worker rights. As an important part of this effort, the Administration seeks an increase of 22 full-time employees with international labor responsibilities in the FY2001 budget. The proposal envisions twelve additional Labor Officers at overseas missions, five new labor positions within the Department of State, assigned to regional bureaus, and five new positions in the Department of Labor's International Labor Affairs Bureau. This will significantly increase the ability to comprehend labor law enforcement problems in developing countries, expand reporting on worker rights and human rights, improve intra-Department and interagency coordination on labor matters, and improve U.S. ability to mobilize technical assistance from within the U.S. Government or from international organizations, such as the ILO, to improve developing countries' capacity to respect core labor standards. It will also contribute to the scope and specificity of the worker rights section of the Department of State's annual Human Rights Report.

Implementation of Worker Rights Criteria in OPIC: The Overseas Private Investment Corporation (OPIC) supports the mobilization of U.S. private investment in 140 emerging markets and developing countries worldwide. Assistance provided by OPIC includes: (1) insuring investments against a broad range of political risks; (2) financing businesses overseas through loans and loan guarantees; and (3) financing private investment funds that provide equity to businesses overseas.

Since 1986, OPIC statutory authority has required that OPIC may support projects only in countries that are "taking steps to adopt and implement laws that extend internationally recognized worker rights," as defined in GSP statutory authority (see previous section on GSP). OPIC follows a two-tier process for determining country eligibility:

- For GSP beneficiaries, OPIC relies upon the interagency GSP eligibility determination. OPIC automatically suspends eligibility for countries that lose GSP benefits because of violations of internationally recognized worker rights. For example, OPIC suspended benefits for Mauritania following its loss of GSP in 1993 on worker rights grounds, and restored benefits in 1999 following the reinstatement of Mauritania to the GSP program.

- For countries that are not GSP beneficiaries, OPIC conducts a separate worker rights eligibility review pursuant to petitions presented at annual public hearings. Following these procedures, OPIC suspended Qatar, the United Arab Emirates, and Saudi Arabia from eligibility in 1995; at the same time, Singapore and Laos were found to be "taking steps," and their OPIC eligibility was maintained.. Similarly, OPIC suspended South Korea from eligibility in 1991 because it was not taking steps to provide freedom of association and the right to organize and bargain collectively. Subsequently, a detailed review, which included a visit to Korea and consultations with labor officials, determined that that country had made substantial progress in promoting trade union rights; South Korea was therefore restored to eligibility for OPIC programs in 1998.

OPIC worker rights monitoring does not stop with the determination of country eligibility. Under the Jobs for Exports Act of 1992, OPIC is prohibited from supporting any project that contributes to a violation of one or more of the five internationally recognized worker rights in the GSP statute. OPIC accordingly conducts a review of worker rights prior to final approval of each project. By statute, every contract contains standard language mandating adherence to internationally recognized fundamental worker rights and requiring the investor to obey host country labor laws. Where local law is inconsistent with ILO norms (e.g., a country allows employment of children at an age lower than the ILO norm), OPIC negotiates supplemental contract language. The OPIC monitoring program entails site visits to approved projects to ensure they are conducted in conformity with OPIC requirements, including those related to worker rights. OPIC also engages with organized labor and industry, as well as with human rights and labor rights advocacy groups to obtain information and assist in fulfilling the agency's labor rights protection mandate.

U.S.-China Dialogue: U.S. Secretary of Labor Alexis Herman hosted a visit by the Chinese Minister of Labor and Social Security, Zhang Zuoji, to Washington on March 30, 1999. The meeting was the first step taken to follow up the Clinton-Jiang Zemin summit of June 1998, where the two countries agreed to establish a US-China Labor Dialogue. This called for the Secretary and Minister of Labor to undertake reciprocal visits, exchange views and information on policies related to labor markets and core labor standards, and social safety net issues.

The issues discussed at the March 30, 1999, meeting included the U.S. labor market, the U.S. unemployment insurance system, employment creation policies, training programs, social security and pension programs, labor legislation and worker rights and core labor standards. Minister Zhang met with Department of Labor officials as well as with representatives of the AFL-CIO and the U.S. business community. A joint statement was released in which it was agreed that the labor dialogue would be continued, and that the Secretary would make a reciprocal visit to China in the future.

Separately, the State Department is currently involved in negotiations with the Government of China to revive implementation of a 1992 MOU that allowed U.S. officials to visit prison sites in China where there is reason to believe that prison labor may be employed to produce goods destined for the U.S. market.

CHILD LABOR

The International Labor Organization (ILO) estimates that there are at least 250 million working children between the ages of five and 14 in developing countries -- about half of them work full-time and do not attend school. Tens of millions of these children work under very hazardous and abusive conditions.

The overall objective of the President's international child labor initiative is to reduce child labor by providing working children with educational opportunities and their parents with viable economic alternatives. Addressing delegates to the International Labor Conference in Geneva in June 1999, President Clinton called for urgency in addressing the worst forms of child labor:

> "[W]e must wipe from the Earth the most vicious forms of abusive child labor. Every single day tens of millions of children work in conditions that shock the conscience. There are children... handling dangerous chemicals; children forced to

work when they should be in school, preparing themselves and their countries for a better tomorrow. Each of our nations must take responsibility."

In June 1999, a milestone in the fight against abusive child labor was reached when Convention 182 on the Worst of Forms of Child Labor was unanimously adopted during the International Labor Conference. This Convention calls for the immediate elimination of the worst forms of child labor, including: all forms of slavery and practices similar to slavery; the use of children in activities such as prostitution, pornography, drug production and drug trafficking; and the employment of children in work likely to harm their health, safety or moral well being. The treaty was submitted to the United States Senate in August 1999 and received unanimous bipartisan advice and consent in November 1999. President Clinton signed the Convention ratification instrument in December 1999. Convention 182 has provided greater impetus for the global abolition of the worst forms of child labor and put a strong emphasis on the importance of education for removing and preventing children from engaging in exploitative work. As developing countries begin to ratify and implement Convention No. 182, the need and demand for projects that provide alternatives to child labor will also increase.

Since fiscal year 1995, the United States has contributed some $37 million to the ILO's International Program on the Elimination of Child Labor (IPEC) for projects that seek to remove children from exploitative work and provide them with an education and their families with viable economic alternatives. The United States is also funding child labor surveys that will help us to more accurately assess the extent and nature of the problem and to measure future progress in reducing its incidence. In 1999, the United States became the largest contributing country to the IPEC program.

Projects funded since 1995 provide tens of thousands of children in Africa, Asia and Latin America with an opportunity to attend school and thousands of families with income-generating alternatives to child labor. To continue this important work, the Administration requested and the Congress appropriated an additional $30 million for international child labor activities, including funding for IPEC, in FY 2000. Significant resources were provided for projects that target children engaged in hazardous work in commercial agriculture, mining, fishing, the production of soccer balls, carpets, garments, fireworks, and footwear, as well as children involved in prostitution and domestic work.

To move us closer to making global abolition of the worst forms of child labor a reality, the President is calling for a $100 million comprehensive initiative on international child labor in the FY 2001 budget. This initiative has two inter-related strategies:

- Increase the U.S. contribution to IPEC by 50% to $45 million to provide *multilateral* assistance to a greater number of children suffering from abusive child labor. This initiative would support our ongoing work with the IPEC program and fund targeted projects that remove children from hazardous work, increase the participation of developing countries in IPEC, develop statistical surveys and baseline information on child labor, and increase awareness and public education about child labor. This multilateral approach will strengthen our efforts in eliminating the worst forms of child labor -- particularly in hazardous industries and sectors.

- Provide $55 million to establish a new U.S. *bilateral* assistance program to help developing countries with high incidence of child labor provide basic quality education which is meaningful and affordable as an alternative to child labor. It is clear that access to education is an essential component of every strategy to eliminate child labor. The proposed budget allocation would expand the resources available for improving and expanding the basic education infrastructure of countries that have demonstrated a commitment to the elimination of child labor. The program will assist these countries develop national policies and programs that make education an attractive and affordable alternative to child labor.

IPEC projects will continue to target specific industry or sectors with a high incidence of child labor, the new bilateral program will focus on providing greater access to quality education to entire cities, countries or even region covering a much larger number of children engaged in, or at risk of engaging in, exploitative work. By targeting the prevention and removal of children engaged in abusive work and increasing access to basic quality education, this comprehensive $100 million initiative effectively leverages resources to ensure a greater impact in eliminating abusive child labor and providing millions of children with a chance at a better future.

As part of the Administration's continuing commitment to lead the fight against abusive child labor around the world, President Clinton issued Executive Order 13126 ("Prohibition of Acquisition of Products Produced by Forced or Indentured Child Labor") on June 12, 1999. The Executive Order is designed to prevent federal agencies from buying products made with forced or indentured child labor. That goal is consistent with current laws that, among other things, outlaw the importation of products made with forced or indentured child labor. **(Need to supplement and update after next week).**

Pursuant to commitments made by President Clinton in the last three State of the Union addresses to combat abusive child labor, the Administration has increased budgetary allocations for U.S. Customs enforcement against imports manufactured with forced or indentured child labor from $3 million for FY1999 to $5 million in FY2000 and $10 million for FY2001.

With the FY1999 allocation, Customs assigned additional agents devoted exclusively to child labor to Bangkok, Hong Kong and Montevideo. Customs will open a field office in Delhi this year. Customs has issued detention orders barring the importation of hand-knotted carpets from four firms in Nepal and hand-rolled cigarettes known as "beedis" from a company in India because of suspicions that forced or indentured child labor was being used. Treasury exercises close policy oversight over this top Customs law enforcement priority with the assistance of an Advisory Committee on International Child Labor Enforcement established last year.

[Missing: USAID input on support to American Center for International Labor Solidarity]

ANTI-SWEATSHOP INITIATIVES

The Administration facilitated the establishment in August 1996 of the Apparel Industry Partnership (AIP), a group of apparel and footwear companies, unions, and religious and human rights groups committed to the common purpose of eliminating substandard working conditions in the United States and abroad and to give consumers the information they need to make informed purchasing decisions. Growing out of the AIP, the Fair Labor Association (FLA) is a nonprofit organization consisting of companies, religious and human rights groups and universities established to protect the rights of apparel and footwear workers in the United States and around the world. The FLA Charter Agreement, adopted in November 1998, creates a first-of-a-kind industry-wide code of conduct and monitoring system. The code of conduct includes:

- Prohibitions against child labor, worker abuse or harassment, and discrimination;
- Recognition of workers' right of freedom of association and collective bargaining;
- A minimum or prevailing wage, and a cap on mandatory overtime to 12 hours per week; and
- Provision of a safe and healthy working environment.

The Charter Agreement also lays the foundation for the creation of an independent monitoring system that will hold companies publicly accountable for their labor practices, as well as those of their principal contractors and suppliers around the world. USAID currently provides a grant to the FLA to cover start-up costs. USAID has also provided a grant to the International Labor Rights Fund for a pilot training program to train indigenous NGOs, including trade unionists, to monitor conditions in factories in Guatemala and Indonesia. After training, these monitors would be certified to participate in the FLA factory monitoring program or for other factory monitoring standards and programs developed by other organizations.

The $4 million Anti-Sweatshop Initiative is a new U.S. Government effort to support programs to eliminate sweatshop conditions overseas. Administered by the Department of State's Office of International Labor, this initiative will make grants to NGOs, unions and corporations involved in programs to eliminate abusive working conditions at factories that produce for the U.S. market. Grants of up to $1 million will be made to promote the adoption of voluntary corporate codes of conduct, to develop monitoring mechanisms and train monitors to ensure that such codes are implemented, to conduct research and to undertake other innovative, sustainable and replicable approaches to address sweatshop conditions. The initiative will seek to impact a range of geographic areas and industries, build capacity among indigenous and foreign NGOs and encourage collaboration among different segments of society, including business, religious, student and consumer groups, NGOs and trade unions.

May 2000

Momentum Calendar

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2 12:00 PM Hoyer speech, Johns Hopkins Univ 6:20 PM Martin Lee mtg 7:00 PM Cong mtg Yellow Oval *China Principal mtg*	3 8:00 AM Daley DBG 4:00 PM NDC briefing H-137 guest: Martin Lee Bipartisan lunch hosted by Maloney and Sessions Ways and Means Hearing w/ Daley, Barshefsky, and Summers	4 12:30 PM Senate Dem Caucus w/ Daley and Barshefsky, LBJ Room 2:30 PM Bipartisan Technology press conf. Hse triangle *China Principal mtg* House D's Announcement	5 10:00 AM Human Rights briefing w/ Harold Coe, B-318 Rayburn Daley's Texas Day	6
7	8 Farm Broadcasters Event, Oval or RR	9 9:00 AM Senate Banking Hearing w/ Summers *China Principal mtg* Validator China Event, East Room	10	11 10:00 AM Hse Banking Hearing w/ Summers, Barshefsky (T) *China Principal mtg* Cong mtg Yellow Oval	12 Akron, OH stop (T) China/Ag Event, Decatur, IL	13
	W & M Subcommittee Markup, this week (T)					
14	15	16 10:00 AM SBA China Hearing, 2360 Rayburn *China Principal mtg*	17 Ag Co. Hearing w/ Daley, Glickman and Barshefsky	18 *China Principal mtg* Cong mtg Yellow Oval	19	20
		Am Farm Bureau fly-in; possible briefing				
	W & M Full Committee Markup, this week (T)					
21	22 Cong mtg Yellow Oval	23 *China Principal mtg*	24	25 *China Principal mtg* Cong mtg Yellow Oval House China vote (?)	26	27
28	29 Memorial Day	30	31			
	Projected House and Senate Recess					

April

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28	*29* Memorial Day Projected House and Senate Recess	*30*	*31*			

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DRAFT of May 2 - 7:30 pm

SUMMERS STATEMENT ON LEVIN PROPOSALS
For
May 3 Testimony

The Administration believes that the proposals being developed by Congressman Levin with others are constructive and address issues of major importance, and we welcome further dialogue on these proposals among Members on both sides of the aisle. For example:

- We agree that it is a priority for the United States to press for improvement of China's human rights, religious freedoms, labor rights and the rule of law. Finding alternatives to the annual NTR renewal process, such as a Commission, to keep a spotlight on these issues makes sense.

- We agree as well that it is important to have a vigorous program, both within the USG and within the WTO, to monitor China's implementation of its WTO commitments and to ensure China lives up to them. And we must have adequate resources to accomplish this.

- Finally, we agree that we must make clear the rules and procedures this and future Administrations will employ to implement the strong import safeguard protections we negotiated.

We are committed to working with Congress to address these concerns, and are receptive to ideas that make good substantive sense and can garner broad bipartisan support. We could not, of course, accept anything that would in any way condition PNTR.

Administration Guidance on Levin Proposal
May 4

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5/5/00 -INTERNAL USE ONLY-

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
China PNTR Outreach **May 2000**						
TBD DATES: -Mtg. Of Working Party in Geneva	1 – **POTUS, Podesta, Barshefsky**: Young Presidents Org. - US Commission on Intern'l Religious Freedom issues Annual Report -Chinese Labor Day (5/1-5/3) - **Schumacher:** Manzullo event, Rockford, IL	2 – **POTUS: Martin Lee** Mtg w/ Members of Congress - **POTUS**: Independent Insurance Agents of America **Summers:** Young Presidents Org. **Berger:** Address at Columbia (NY) **Daley, Eizenstat:** ITTA Policy Summit	3 –**Daley, Glickman, Summers, Barshefsky:** Ways & Means testimony - **Summers:** National Press Club - **Daley, Barshefsky, Ricchetti:** Senate Caucus Policy Luncheon - Release of Commerce Enforcement Package -WTO General Council Mtg.	4	5 – **Daley**: Asia Society (Houston, TX) -**Barshefsky**: Nat. Conf. of State Leg. -**Koh**: HR Briefing	6
7 —	8 – **POTUS**: Farm Broadcasters - **Albright:** AP Journalists (NYC) - **W & M Trade Subcomm mark up (T)** - Anniversary of Belgrade embassy bombing - Former POTUS letter	9 – **POTUS:** Distinguished Amers - **Albright:** World Trade Ctr Dinner (Denver, CO) - **Albright:** Enviro. Technology Roundtable - **Glickman:** Farm Broadcasters - **Daley:** Life Insurance CEOs Press Conf - **Richardson**: APEC Min (San Diego, CA) (5/9-5/12) -**Barshefsky (T), Summers (T):** Sen Banking Comm. - KS City Business Alliance (admin participation TBD)	10 -**Albright:** U. Cal at Berkeley Commencement -**Summers:** Chase H & Q Conf. and Dinner (San Francisco, CA) -**Cohen:** Asia Society -**Hall:** Travel to China (5/10-5/12) -HIRC Hrg. - New England Business Council (Admin participation TBD)	11 – **POTUS:** Meeting with Members of Congress -**Summers, Barshefsky (T):** House Banking Committee - **Mallett:** FL Council of 100	12 – **POTUS:** Ag. Event (travel) -**Barshefsky:** National Policy Assn. Board of Trustees "Trade @ Crossroads" - **Sperling:** Ambassadors Forum (Dallas, TX)	13 – **Barshefsky**: Commencement Address at University of Minnesota Law School, (St. Paul, MN)

5/5/00 -INTERNAL USE ONLY-

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
14 –International Trade Week	15 -**Glickman:** Kansas Rotary Club (Wichita) -**Barshefsky**: Foreign Press event - **Daley/Sperling**: ESI (5/15-5/17) -Senate Finance Comm. Mark up (T) **- W & M Mark up (T)** - EU-China negotiations –AmCham Door Knock	16 – **Alvarez:** House Small Business Subcommittee Hearing on International Trade - **Glickman, Summers:** American Farm Bureau Federation - Small Business CEO press conf (Admin participation TBD)	17 –**Herman:** Chinese Labor Min. Mtg. (T) - **Barshefsky, Glickman, Daley:** House Ag Committee Hearing -**Barshefsky**: American Farm Bureau Federation Breakfast	18 –**POTUS: Meeting with Members of Congress** **-Sperling: CED Board of Directors Keynote** -**Cuomo:** Travel to China (5/18-5/23)	19	20 – **Barshefsky**: Commencement Address at Hood College, (MD) -Inauguration of new Taiwan President
21 –**Albright:** Possible commencement address at George Washington University (T) **- Summers:** Wharton School of Business Commencement	22 – **POTUS: Meeting with Members of Congress** - Conference on disarmament convenes in Geneva	23 –	24	25 – **House vote**	26 **– Glickman**: Georgetown Public Policy Commencement	27 – Memorial Day Recess (5/27-6/5)
28	29 – Memorial Day	30	31			

China PNTR Outreach

June 2000

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
FYI: **Cohen's** Trip to China (Date: TBD)				1	2	3 – Annual PNTR vote
4	5 – **Senate bill on the floor**	6 – APEC Trade Ministerial	7	8	9	10
11	12	13	14	15	16	17 **Albright:** Commencement address at Northeastern University (Boston, MA)
18	19 –Senate Vote (T)	20	21	22	23	24
25	26	27	28	29	30	

USDA

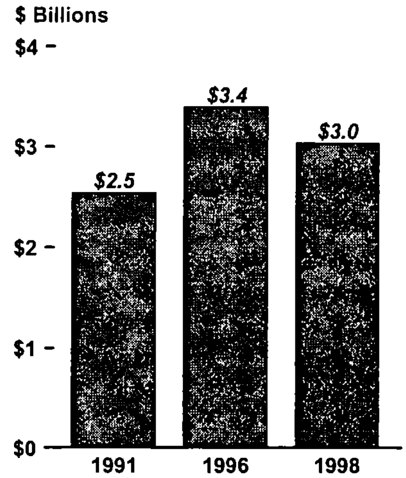
Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
February 2000

Permanent Normal Trade Relations with China
What's at Stake for Texas?

Texas is a leading producer of agricultural and forest products and a major exporter. Fisheries are also important. In 1998, the state's total cash receipts from farming reached $13.2 billion. Wood product shipments totaled $3.2 billion in 1996, and commercial fish landings were $183 million in 1998. As for exports, Texas ranked fourth among all 50 states, with the value of agricultural products leaving the state estimated at $3 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Texas' Agricultural Exports



Source: Economic Research Service, USDA

Trade Benefits

The following key products are important to Texas, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

Cotton–As the nation's largest cotton producer, Texas' cotton exports worldwide were estimated at $708 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

Beef–With the nation's largest cattle industry, Texas' live animal and red meat exports worldwide were estimated at $693 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

Feed Grains–Texas' feed grain and product exports worldwide were estimated at $329 million

in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

Solid Wood Products–Texas has the seventh largest lumber industry in the nation. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.

U.S. DEPARTMENT OF COMMERCE
International Trade Administration
April 2000

OPPORTUNITIES FROM CHINA'S ACCESSION TO THE WTO

Texas

The U.S.-China Bilateral Agreement on China's accession to the WTO opens an important market to Texas's exports, benefitting key industries and creating export and employment opportunities. The importance of exports to China and the benefits of the Agreement for Texas and its key industries are outlined below.

State Export Profile

Texas' merchandise export sales to China totaled $583 million in 1998—a 46 percent increase from the $399 million sold to China in 1993.

China ranked as Texas' 20th largest export destination in 1998.

Texas' exports to China are broadly diversified with almost every major product category registering exports to the Chinese market in 1998.

Many key Texas export categories more than doubled sales to China from 1993 to 1998.

Included in Texas' exports to China are sales from key metropolitan areas: Houston ($313 million) and Dallas ($92 million).

Several Texas cities recorded rapidly increasing exports to China during 1993–98, including Lubbock (8,321 percent), McAllen-Edinburg-Mission (2,686 percent), and Austin–San Marcos (2,569 percent).

Sector Snapshot

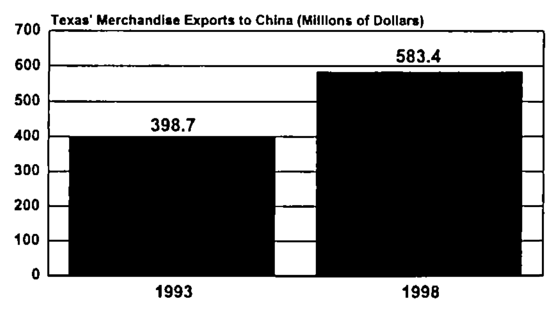
U.S. farmers no longer will have to compete with export subsidies on China's agricultural products. China has agreed also to eliminate sanitary and phytosanitary barriers that are not based on sound scientific evidence, such as the restrictions on meat, poultry, and citrus. In addition, exporters will benefit from broadening the right to import and distribute imported products in China and from tariff cuts on a wide range of products including beef, raw hides, dairy products, and poultry. Also, China will end its import monopoly for bulk commodities and establish a large low-duty tariff-rate quota for cotton and corn.

As a result of the Agreement, Texas's key export sectors benefit from reduced tariffs in China, strong intellectual property protection and improved trade rules protecting U.S. industries against unfair trade practices and removing burdensome obstacles, including:

- Tariff elimination for information technology products including integrated circuits. Major tariff reductions for power generation equipment, specialized machinery, medical equipment, scientific and measuring instruments, photographic equipment, air conditioning equipment, pumps and compressors, agricultural equipment, synthetic yarn, special purpose vehicles, construction equipment, prefabricated buildings, glass fibers, trucks, paper, food processing machinery, and environmental technology equipment.
- Low tariffs for most chemicals at WTO harmonization rates, including plastics, pesticides and organic chemicals, and petroleum oils.
- Elimination of import restrictions for products such as construction and medical equipment and specialized machinery.

The agreement will open the market for a wide range of services, including telecommunications, banking, insurance, financial, professional, hotel, restaurant, tourism, motion pictures, video distribution, software entertainment distribution, periodicals distribution, business, computer, environmental, and distribution and related services.

Texas Increased Its Exports to China by $185 Million From 1993 to 1998



Source: U.S. Department of Commerce, Exporter Location Series.

Key Industry Benefits

Information Technology

China will eliminate its duties for all information technology products, as defined by the WTO Information Technology Agreement (ITA), by January 1, 2005. These products include electronics, computers, fiber optic cable, and other telecommunications equipment. The current duties on information technology products average over 13 percent. All quotas on ITA products will be eliminated at the time of China's WTO accession. Within four years of its accession into the WTO, China will eliminate its tendering requirements for non-government purchases of ITA products. Trading and distribution rights for ITA products will be phased in over three years. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign ITA businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax. China has agreed that it will not condition import or investment approvals on technology transfer, or on conducting research and development in China.

Chemicals

This sector includes chemicals and chemical products such as cosmetics, pharmaceuticals, agricultural chemicals, resins, and plastics. China will reduce average tariffs on chemicals by more than half to an average rate of 6.9 percent by January 1, 2005. All priority U.S. chemical exports, as well as all products in the Chemical Tariff Harmonization Agreement of the Uruguay Round (CTHA) are included in the tariff reductions. In addition, China will eliminate all quotas on chemical products by 2002. Trading rights will be phased in over three years from accession for most chemicals. China will not apply or enforce export performance or local content requirements as a condition for importation or investment approval. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign chemical product businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax.

Power Generation Equipment

China will reduce its tariffs on power generation equipment including generators, turbines, boilers, parts of auxiliary plants, motors, transformers, and batteries from an average of 13.4 percent to an average of 8.5 percent by January 1, 2004. If WTO members agree to and adopt the energy sectoral initiative that originated in APEC, China will join this initiative and eliminate its tariffs on these products. Trading and distribution rights for power generation equipment will be phased in over three years. Within four years of its accession into the WTO, China will eliminate its tendering requirements for non-government purchases of power generation equipment. China will not apply or enforce expo t pe fo mance o local content equi ements as a condition for importation or investment approval. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign power generation equipment businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax.

Heating, Ventilating, and Air Conditioning Machinery (HVAC) and Large Appliances

This category includes heaters, ventilators, air conditioners, washers, dryers, refrigerators, and centrifuges. China will reduce its tariffs on HVAC/large appliances from an average of 24.3 percent to an average of 15.2 percent by January 1, 2005. Quotas and licenses on air conditioners will be phased out by 2002 with an initial quota level of $286 million. Quotas and licenses on refrigerators will be phased out by 2001 with an initial quota level of $132 million. Quotas and licenses on washers will be phased out by 2001 with an initial quota level of $7 million. All quota levels will grow 15 percent annually until eliminated. China will eliminate tendering requirements for non-government purchases of washers. Upon accession into the WTO, China will eliminate its tendering requirements for non-government purchases of centrifugal ventilators. Trading and distribution rights for HVAC and large appliances will be phased in over three years. China will not apply or enforce export performance or local content requirements as a condition for importation or investment approval. China has agreed to apply tariffs uniformly and all taxes equally to domestic and foreign HVAC and large appliance businesses. This will alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17 percent value added tax.

Beef

China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China Agreement on Agricultural Cooperation, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.

Cotton

China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to

894,000 met ic tons b 2004. Impo ts unde the TRQ will be charged a nominal 1 percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In calendar year 1999, China imported 46,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.

Dairy Products

China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.

Poultry Meat

With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry meat exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry meat cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China Agreement on Agricultural Cooperation, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

Architectural and Engineering Services

Foreign firms can establish majority-owned joint ventures or provide cross-border services in cooperation with Chinese professional organizations. China has also agreed to grandfather the existing level of market access al ead in effect at the time of China's accession fo U.S. companies currently operating in China.

Environmental Services

For key environmental services, China will allow foreign service suppliers to provide environmental consultation through cross-border delivery. Other foreign environmental service providers may operate in China through a joint venture. China has also agreed to grandfather the existing level of market access already in effect at the time of China's accession for U.S. companies currently operating in China.

Tourism Services, Including Restaurant Services

China will allow unrestricted access to the Chinese market for restaurant operators, including the ability to set up majority-owned restaurants upon accession and 100 percent foreign-owned restaurants in three years. China has also agreed to grandfather the existing level of market access already in effect at the time of China's accession for U.S. companies currently operating in China.

Trade Stories

Poly-Flex, Inc. (Grand Prairie), a manufacturer of synthetic liners for landfills and irrigation canals, has experienced a growing market in China for its product. In 1999, Poly-Flex completed installation of a geomembrane liner for a private waste management company in the city of Dalian. It is also hoping to make a successful bid for a major World Bank-sponsored irrigation canal project in Xinjiang province. Poly-Flex's experience over the years in China has led to a growing concern with transparency and rule of law, however. In addition, Poly-Flex products face a stiff 17 percent import tariff. According to Poly-Flex's vice president for international sales, William

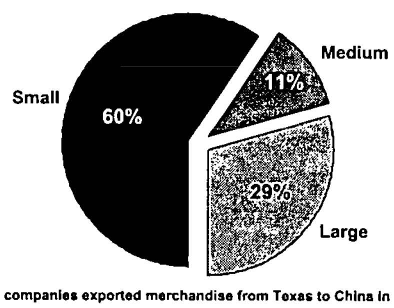
(Trade Stories continued on page 8)

ROLE OF SMEs IN EXPORTS TO CHINA

Small and medium-sized enterprises (SMEs) are responsible for a growing share of U.S. exports to China.

- In 1997, SMEs generated 35 percent—more than one-third—of all U.S. merchandise exports to China. This figure is up significantly from a 28 percent share in 1992.
- The 35 percent SME share of the China market in 1997 was higher than the SME share of overall U.S. merchandise exports (31 percent) in that year.
- Seven of every ten firms exporting from Texas to China in 1997 were small or medium-sized enterprises (fewer than 500 employees).

Small & Medium-Sized Companies Account for 71 Percent Of All Firms Exporting From Texas to China



672 companies exported merchandise from Texas to China in 1997

Definitions: small = fewer than 100 employees; medium = 100–499 employees; large = 500 or more employees. Source: 1997 Exporter Data Base, U.S. Department of Commerce.

Overview of China WTO Accession Benefits to the United States

The Agreement is a one-way deal that will open China's now largely closed market to U.S. exports. By enacting Permanent Normal Trade Relations (PNTR), the United States is merely maintaining the market access policies it already applies to China. If Congress enacts PNTR, the agreement is expected to provide a substantial boost for U.S. exports. If Congress fails to pass PNTR, American companies, workers and farmers will be denied the great bulk of benefits of the agreement the United States already negotiated—including broad new market access for critical services such as telecommunications and distribution, strong import protections, and the right to enforce China's commitments through WTO dispute settlement. Failure to enact PNTR means fewer U.S. exports to China. U.S. competitors in Europe, Asia and elsewhere will gain market share at the expense of U.S. exporters as these countries will enjoy the full benefits of China's market opening WTO commitments.

Deep cuts for tariffs in manufactured products sectors[1] affecting most U.S. exports—averaging an across-the-board 60 percent cut in tariffs for industrial products. Important gains include a 62.5 percent cut in tariffs for pulp, paper and printed material and elimination of tariffs for information technology products including electronics, telecommunications equipment, and computer equipment.

Tariff bindings for every sector. U.S. industries gain greater certainty of access with China's commitment not to raise tariffs on any products above the negotiated ceiling (bound) rates.

Huge reduction in paperwork costs—a boon to smaller exporters. Simplification, harmonization of customs procedures and licensing will slash costs of processing export orders.

Elimination of quotas and non-automatic licenses for all manufactured products by year 2005. Only a handful of quotas will remain after year 2003. While quotas are being phased out, the quota level will be higher than our current export levels and will increase by 15 percent each year until the quota is eliminated.

By joining the WTO, China is committing to establish a tariff-only import regime for **agricultural products;** all non-tariff barriers will be eliminated. Any other measure, such as inspection, testing, and domestic taxes, must be applied in a manner that is consistent with WTO rules requiring a transparent and nondiscriminatory system. All health-related restrictions must be based on sound science.

China also committed to implementing **agriculture tariff-rate quotas** (TRQs) on economic rather than political criteria. These commitments are designed to ensure a transparent and consistent system for allocating shares of the TRQ to end users and provisions to ensure that quota-holders are not impeded in utilizing their allocations.

China has committed not to use **export subsidies** for agricultural products when it joins the WTO. This commitment is particularly useful for China's potential exports of corn, rice, and cotton, which in the past have displaced U.S. product from third-country markets.

Bilaterally, China agreed to the terms for removal of scientifically unjustified restrictions on importation of U.S. **wheat and other grains, citrus and meat.**

Foreign exchange balancing requirements—which link a company's level of imports to its level of exports—will be eliminated upon accession. This allows U.S. companies to make market-driven decisions about what to import and export instead of decisions driven by the Chinese government.

Local currency banking will be allowed starting with foreign clients upon accession, followed by Chinese enterprises two years after accession and Chinese individuals five years after accession. Foreign currency business will be allowed without geographic restrictions upon accession. China currently limits foreign banks to foreign currency business in selected cities.

Foreign securities firms may currently only trade in a limited number of stocks designated for foreign investors and then only via shared commissions. Upon accession, China will allow foreign firms to trade these shares with no Chinese intermediary. By three years after accession, foreign entities may establish securities joint ventures (JVs) with a minority equity share for foreign investors to underwrite all shares and corporate and government debt, and trade all these securities except those equity shares restricted to Chinese investors. Also upon accession, foreign entities may establish minority JVs to manage assets of all sorts.

Insurance licenses will be granted on a prudential basis, without numerical restrictions or discretionary economic needs tests. China currently only allows selected foreign companies (including four U.S. companies) to operate in China on a limited basis in only two cities.

Majority equity share for foreign non-life insurance entities will be permitted upon China's accession. Wholly owned subsidiaries will be allowed two years after accession. Life insurance joint ventures will be permitted at 50 percent equity share upon accession.

Easier access to and more control of distribution systems in China allowing U.S. companies to operate commission agents' services, franchising services, wholesaling, retailing and direct sales of their own products in three years post accession for almost all products.

Foreign companies will also be permitted greater control and access to other services related to distribution, including maintenance and repair, rental and leasing, advertising, technical testing and freight inspection, packaging, courier, storage and warehousing, and freight forwarding agency services.

The right to trade (import and export) will be permitted for almost all products within three years of accession. Currently, the right to trade is strictly limited; only companies that receive specific authorization or who import goods to be used in production have such rights.

Telecommunications services are currently not permitted to be supplied by foreigners in China. However, with its accession, China has agreed to allow foreign participation for both value-added and basic services. China has also agreed to undertake all the obligations contained in the WTO Reference Paper on pro-competitive regulatory principles. Telecom services which foreigners can supply under the Agreement include e-mail, voice mail, online information and database retrieval, facsimile, paging, cellular, and internet services via any technology including satellites.

Professional service providers will now be permitted to operate in China and receive national treatment for accounting, auditing, bookkeeping, management consulting, legal, tax consulting, architectural, engineering, and computer services.

The elimination of local content requirements will result in better access for U.S. exports and eliminate unfair incentives or requirements to use domestic goods.

U.S. exports and investments will be free from government-imposed conditions such as technology transfer, research and development in China, and offsets. Upon China's accession, such conditions may only be negotiated between the parties to a contract and not imposed or enforced by the government.

U.S. companies can sell their products in China and not be forced to export a certain percentage back to the United States or elsewhere. This eliminates the non-market incentive to use China as an export platform.

State-owned and state-invested enterprises will be required to buy and sell based on commercial considerations, making the purchase process more market-driven and transparent for U.S. companies and will provide new sales opportunities to U.S. firms.

China has agreed to establish **judicial review** procedures for the prompt review of all administrative actions relating to the implementation of laws, regulations, judicial decisions and administrative rulings related to its WTO obligations. The tribunals will be independent of the agencies entrusted with administrative enforcement.

Greatly improved enforcement of China's commitments through the WTO dispute settlement process. The United States will now have allies in other WTO members to address violations of international trade norms.

Current U.S. practice of using a special, non-market economy methodology when calculating dumping margins in **antidumping investigations** involving imports from China will remain in effect for 15 years. Chinese industries will continue to have the burden of proving to the U.S. government that market economy conditions prevail in their industry to avoid application of this methodology.

China will apply its trade-related laws **uniformly** throughout all of China including land and seaports.

China will be required to apply equally the value-added tax (currently at 17 percent for most products) to domestic goods as well as imports under the WTO **national treatment** provisions.

The United States will have access to a **product-specific safeguard mechanism** for 12 years which will allow the U.S. to address more easily any rapidly increasing Chinese imports in a targeted fashion in cases of actual or threatened market disruption to a U.S. industry.

China has agreed to incorporate into the WTO a **textile-specific safeguard** drawn from the U.S.-China Bilateral Textile Agreement.

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[1]For more information on tariff reductions, see tariff summary table.

ADDITIONAL INFORMATION AND ASSISTANCE

The reports for each of the 50 states are available at www.chinapntr.gov, as well as supplemental information on the benefits of China's membership in the World Trade Organization for U.S. industry and agriculture. Additional information on agricultural products is available from www.fas.usda.gov and speeches and testimony are provided on www.ustr.gov.

For counseling and assistance regarding exporting to China, call the Trade Information Center at 1-800-USA TRAD(E) or the Agriculture FAS Trade Assistance Office at 202-720-7420.

To discuss problems you are experiencing in exporting to China or a Chinese trade barrier you are encountering that is limiting your ability to export, please contact the Commerce Department's Trade Compliance Center. The fastest means to contact the Trade Compliance Center is the internet at http://www.mac.doc.gov/tcc. It can be reached also via e-mail (tcc@ita.doc.gov), fax (202-482-6097), or phone (202-482-1191).

Key Industry Tariff Reductions Resulting from the Agreement

Product Description	Average Base Rate[1]	Average End Rate[2]	Percent Change
Agriculture equipment	11.5	5.7	50.4
Auto parts	23.4	10.0	57.2
Beer	70.0	0	100.0
Building materials	16.4	14.1	14.0
Glass fibers	16.0	7.0	56.2
Chemicals	11.1	6.9	37.8
Cosmetics	29.3	11.9	59.3
Fertilizers	5.0	4.0	20.0
Pharmaceuticals	9.6	4.2	56.2
Soda ash	9.0	5.5	38.8
Civil aircraft	14.7	8.1	44.9
Compressors and pumps	15.5	9.0	41.9
Construction equipment	13.6	6.3	53.7
Distilled spirits	60.8	34.2	44.0
Engines	12.4	7.9	36.2
Environmental technologies equipment	13.4	6.9	48.5
Fish	20.5	11.4	44.3
Food processing machinery	13.5	9.8	27.4
Footwear	25.0	20.8	16.8
Footwear machinery	11.5	8.4	26.9
Furniture	22.0	0	100.0
Heavy machinery	14.5	7.8	46.2
Husbandry machinery	10.3	7.3	29.1
HVAC[3]	24.3	15.2	37.4
Information technology covered under ITA[4]	13.5	0	100.0
Laboratory machinery	12.9	10.2	20.9
Leather	18.7	16.2	13.3
Machinery parts	8.1	4.7	41.9
Medical equipment	9.9	4.4	55.5
Metalworking machinery	15.1	11.4	24.5
Molds	10.2	7.3	28.4
Motorcycles	58.3	41.7	28.5
Motor vehicles	75.9	23.6	68.9
Passenger motor vehicles	84.1	25.0	70.0
Nonferrous metals	9.3	6.6	29.0
Aluminum	14.2	9.4	34.0
Oil and fuel	7.4	4.9	33.7
Paper and printing machinery	14.3	10.8	24.5
Photographic equipment	19.4	14.7	24.2
Power generation equipment including batteries	13.4	8.5	36.6
Precious metals	13.8	11.0	20.0
Prefabricated buildings	22.0	10.0	54.5
Pulp, paper and printed material	14.4	5.4	62.5
Railway equipment	5.7	4.4	22.8
Recorded media	10.0	6.8	32.0
Rubber products	14.5	11.4	21.4
Rubber- and plastic-working machinery	15.7	7.7	50.9
Scientific and measuring equipment	12.1	6.1	49.6
Small household appliances	31.2	24.7	20.8
Special purpose vehicles	17.4	12.4	28.7
Specialized machinery	14.0	8.4	40.0
Steel	10.3	6.1	40.7
Telecommunications equipment not covered under ITA[4]	24.0	17.2	28.3
Optical fibers	13.5	2.5	81.4
Textiles and apparel	27.1	11.7	56.8
Synthetic yarn	18.1	5.0	72.3
Toys	23.0	0	100.0
Trailers	13.8	10.0	27.5
Trucks	31.5	18.5	41.2
Vending machines	23.0	13.6	40.8
Welding machines	14.8	9.8	33.7
Wood	12.5	4.6	63.2

[1]Average 1997–98 applied duties for each product category. Reductions will be made from the 1997–98 base rate for each tariff line. Most cuts will be made in equal annual increments.

[2]Average end rate for each product category which will be attained once China phases in all duty reductions agreed bilaterally with the United States. All reductions will be completed by January 1, 2008, with 70 percent of all reductions on industrial goods achieved by 2003 and 98 percent of all industrial duty reductions by 2005. China's agreements with other countries may result in lower rates and shorter staging.

[3]Includes heaters, ventilators, air conditioners, washers, refrigerators, centrifuges/dryers.

[4]WTO Information Technology Agreement (ITA), implemented in July 1997.

Key Agricultural Tariff Reductions Resulting from the Agreement

Product Description	Base Rate 1997-98[1]	End Rate[2]	Percent Change
Beef	45	12	73.3
Pork	20	12	40.0
Poultry	20	10	50.0
Oranges	40	12	70.0
Grapefruit	40	12	70.0
Lemons	40	12	70.0
Apples	30	10	66.7
Cherries	30	10	66.7
Grapes	40	13	67.5
Pears	30	10	66.7
Peaches	30	10	66.7
Canned peaches	30	10	66.7
Raisins	40	10	75.0
Orange/grapefruit juices	35	15	57.1
Celery	13	10	23.1
Lettuce	16	10	37.5
Cauliflower	13	10	23.1
Broccoli	13	10	23.1
Frozen mixed vegetables	13	10	23.1
Frozen sweet corn	13	10	23.1
Tomato paste	25	20	20.0
Tomato ketchup	30	15	50.0
Almonds	30	10	66.7
Hazelnuts	35	10	71.4

Product Description	Base Rate 1997-98[1]	End Rate[2]	Percen Change
Pecans	35	10	71.4
Pistachios	35	10	71.4
Cheese	50	12	76.0
Lactose	35	10	71.4
Ice cream	45	19	57.8
Yogurt	50	10	80.0
Hop cone pellets	30	10	66.7
Hop extracts	20	10	50.0
Ginseng	40	10	75.0
Soybean flour	40	15	62.5
Potatoes: Frozen hash browns	25	13	48.0
Potato flour, meal and flakes	30	15	50.0
Potato chips	25	15	40.0
Yellow grease	40	10	75.0
Soup	45	15	66.7
Pet food	30	15	50.0
Wine	65	20	69.2
Protein concentrates	45	10	77.8
Water-based drinks with sugar	65	20	69.2
Other water-based drinks	50	35	30.0
Cigarettes	65	25	61.5
Tobacco	40	10	75.0

[1]Base rate: 1998 current applied duty from which reductions will be made.

[2]End rate: End rate that will be attained by January 1, 2004, when China finishes phasing in all agricultural duty reductions agreed bilaterally with the United States. China's agreements with other countries may result in lower rates and shorter staging for some products.

Key Agricultural Tariff Rate Quotas (TRQ)

Product Description	Initial TRQ (million metric tons)	2004 TRQ (million metric tons)	Private Share (percent)	1999 Chinese Impor s[3] (metric tons)
Wheat	7.3	9.6	10	448,000
Corn	4.5	7.2	25 growing to 40	70,000
Rice				168,000
Short/medium grain	1.3	2.6	50	
Long grain	1.3	2.6	10	
Cotton	0.743	0.9	67	46,000
Soybean oil[4]	1.71	3.2	50 growing to 90	804,000

[3]Import data from China Customs Administration, on a calendar year basis.

[4]TRQ quantity and private share will be phased in by 2005. On January 1, 2006, China will eliminate the TRQ and state trading for soybean oil, with nothing but a 9 percent duty remaining.

*(**Trade Stories** continued from page 3)*

Neal, bringing China into the WTO would be a step in the right direction for his company's prospects for increased exports to China.

GSE Lining Technology, Inc. (Houston) is a manufacturer of geosynthetic lining products for solid waste landfills, mining operations, industrial/wastewater treatment facilities, agriculture, and other applications. GSE Lining Technology earned approximately $2.6 million on its last two projects in China and is currently negotiating contracts to do work on six landfill operations. GSE Lining Technology's Mark Harris believes that this is just the "tip of the iceberg" and that there will be many more opportunities for the company in China.

MEMORANDUM FOR GENE SPERLING

April 7, 2000

FROM: Malcolm Lee
Timothy Punke

RE: April 8 Remarks to NAM

You are scheduled to make remarks to the NAM Board Meeting on Saturday morning, April 8, at the Turnberry Island Resort. They would like you to speak to them about the politics of the China deal, as well as what additional steps the business community can take to be helpful.

This will be a group of 100-125 CEOs and senior business leaders. 10,000 of NAMs 14,000 companies are small or medium sized businesses. The remaining third are large companies like United Technologies or FMC. NAM has divided up districts with BRT and the Chamber and is organizing factory visits for Members of Congress in 23 key districts. Jasinowski is stressing to his members the need for the CEOs to communicate to their employees and suppliers the importance of this vote.

Your remarks to them will be open press. They have suggested 15-20 minutes of remarks and 10-20 minutes of Q&A.

Contact Person: Howard Lewis, 202-637-3000; Joni Hodgson 202-637-3065.
In Florida: 305 936-2910 936-2911
Former Commerce Asst. Sec. Frank Vargo is new Exec.VP Int'l for NAM, and is there and can help you with anything.

Approach. Since this will be open press, suggest you briefly state case for why PNTR is overwhelmingly in our national interest, with a focus on benefits to small and medium sized companies, and dispell some myths. You need to emphasize the importance of educating their employees and suppliers. You will likely get questions about the politics of the PNTR fight: whether support is eroding, and whether we worried about a repeat of Seattle in Washington in the coming week, what we are negotiating with Congress.

Current Background Information

- AFL-CIO campaign: AFL-CIO began their ad campaign this week. Their ads are hitting on all of the usual points -- labor, environment, China's failure to comply with trade agreements, etc. Demonstrations will begin in Washington this Sunday -- and will take place all week.

- President's Speech on Monday: The President spoke in California this week on China PNTR, and is meeting with members of Congress constantly. He announced 2 letters of support this week -- one from 43 governors and one from about 200 high-tech CEOs. Also announced that Zoe Lofgren (D-CA), who had not previously supported Normal Trade Relations for China, will now support

PNTR. Secretary Daley and Secretary Glickman will be leading congressional delegations to Congress next week. As you know, last week 19 Members who had previously voted for annual NTR sent a letter to the President announcing their opposition to PNTR.

- Date for Vote: Hastert announced Wednesday the date for a vote -- the week of May 22.

- EU-China Negotiations: expected to resume in Brussels in a few weeks.

- Berger's Trip to China. Berger had a constructive trip to China. The Chinese expressed their strong views, and we expressed ours -- but we do not have reason to believe that there will be a flare-up over Taiwan prior to Chen's inauguration in mid-May.

NAM
FRAMEWORK FOR SPERLING REMARKS

ACKNOWLEDGEMENTS

- NAM President Jerry Jasinowski and NAM Board Chairman James Keyes (Johnson Controls Inc make auto parts).

IMPORTANT VOTE

- One of the most important votes that this Congress will make, certainly this year or any year. Vote that will impact every single American, and shape our future.

ALLOUT EFFORT

- Hastert announced Wednesday the date for a vote -- the week of May 22.

- The President spoke in California this week on China PNTR, and is meeting with members of Congress constantly.

- President announced 2 letters of support this week -- one from 43 governors and one from about 200 high-tech CEOs.

- Also announced that Zoe Lofgren (D-CA), who had not previously supported Normal Trade Relations for China, will now support PNTR.

- Secretary Daley and Secretary Glickman will be leading congressional delegations to Congress next week.

- Cabinet both working Congress and traveling country to make clear why PNTR is overwhelmingly in our national interest.

CORECTING THE MYTHS

- **One-Way Deal**: As the President said on Monday, this vote is on an agreement "that lowers no American Trade barriers, lower no American tariffs, grants no greater access" to our market.

    - This is not NAFTA. China's access to our market will not change. We give up nothing. But tariffs on our products will go down by half or more on every product we export.

- **We Are Not Voting on Whether China Joins the WTO**: A "No" vote on PNTR does not keep China out of the WTO.

    - China will complete its bilateral agreements – and it will join the WTO regardless of what Congress does.

- **<u>Voting no on PNTR does not punish China – it punishes American workers, farmers, and companies.</u>**

  - If Congress votes no, we lose the strong market opening, import protection and enforcement rights we negotiated, while our competitors in Europe, Australia, Asia, and elsewhere will enjoy them all.

- **<u>Some say, "We can wait." We can't. Do you really think that American exporters and companies will not be at a disadvantage if we arrive after our competitors have already established a foothold?</u>**

  - Take the example of China's exploding telecom and Internet market – a sector where US firms lead the world. In China last year, Internet subscribers quadrupled from 2 million to 9 million., This year that number is expected to increase to 20-25 million. Can we afford to be left behind – not just from an economic perspective – but in helping to shape the way Chinese receive information?

- **<u>The Chinese Market Is Increasingly Important to U.S. Small and Medium Sized Businesses. A dominant and growing share of U.S. exporters to China are SMEs.</u>**

  - Eighty-two percent of all U.S. exporters to China in 1997 were SMEs. SMEs generated over 35% of total U.S. merchandise exports to China in 1997.

  - The number of small firms exporting to China has risen at a rapid rate. From 1992 to 1997 the number of SMEs exporting to China surged by 141 percent -- compared to an 81 percent rise in the number of large-company exporters.

  - The value of SME exports to China more than doubled (107 percent) between 1992 and 1997, increasing by nearly $2 billion. That made China the third largest growth market for SMEs globally over this period.

- **<u>Overall Gains In Exports To China Will Benefit Small Businesses Supplying U.S. Companies. PNTR means more exports to China. Many small businesses supply products and services to larger companies that then export to China.</u>**

- **<u>Small and Medium Sized Businesses Will Benefit In Many Ways From China's Implementation Of Its WTO Commitments.</u>**

  - The significant reduction of tariffs will help U.S. SMEs exporting to China compete on a more level playing field with companies located there.

  - Paperwork costs for SMEs will be reduced significantly as customs and licensing procedures will be simplified and made uniform throughout China.

  - Under the trading rights provisions, U.S. exporters will no longer be required to use Chinese Government- approved "middlemen" to sell their products in China. They will be able to sell U.S.-made products directly to customers in China – which will mean a significant decrease in export costs.

- Easier access to and more control over distribution systems in China will allow U.S. companies to oversee commission agents' services, franchising services, transportation, wholesaling, repairs, and retailing of their products. One-third of all U.S. SME exporters to China could benefit from this provision as these companies are involved in wholesaling.

- U.S. exports will receive uniform treatment with regard to tariffs and the same treatment as Chinese firms for taxes.

- This streamlining of China's requirements for trading in China is particularly valuable to SMEs, which typically have fewer resources than larger businesses to deal with often complex and costly regulations.

- China will be required to conform its standards and inspection procedures to WTO norms, eliminating excessive testing requirements and other barriers that are especially disadvantageous for SMEs.

- Stronger enforcement of intellectual property rights through the WTO will benefit U.S. companies making "cutting-edge" products that involve unique technologies or processes.

- **Small Businesses Also Will Benefit From Application Of WTO Rules To China. Membership in the WTO will support the further development of the rule of law in China. This will aid American SMEs in several ways:**

  - Greater transparency, impartial dispute settlement, and other features of China's WTO membership will benefit SMEs in particular -- in view of their limited resources and the particular challenges they face in dealing with China's often complex legal and regulatory policies.

  - Through WTO dispute settlement, we would gain a stronger means for ensuring Chinese compliance with its obligations. China has agreed to subject its decisions to impartial review, and ultimately imposition of sanctions if necessary -- and China will not be able to block panel decisions. If China loses a dispute, it will have to change the offending practice, provide compensation, or be subject to denial of access to our market in an amount proportional to the harm it causes. The U.S. has been the most frequent user of the WTO dispute settlement mechanism, obtaining favorable results so far on 23 of the 25 complaints that we have initiated and that have been acted upon.

  - In addition, the President's new enforcement/compliance budget initiative includes provisions focused on the special needs of SMEs. For example, it will provide new resources to help smaller businesses assess their options for using U.S. trade laws to respond to WTO-inconsistent trade practices. The additional resources for monitoring China's compliance with its obligations will also help SMEs address any potential market access barriers.

- **This Deal Increases Protections Against Unfair Trade:** Benefits American workers and farmers because of increased market access – but also:

  - Enhanced "China-specific" safeguard

- Ability to apply special methodology if China's companies dump their products – guaranteed for 15 years.

- Strong measures to eliminate forced technology transfer and local content requirements that can drain American jobs and technology.

- <u>**We Don't have to Wait for the EU:**</u>

  - Hastert set a vote for late May.

  - Congress need not wait to give the President authority to grant PNTR.

  - Other bilateral negotiations can only strengthen the strong deal we negotiated.

  - President's legislation requires him to certify that the terms are "at least equivalent" to those we negotiated in November.

- <u>**We Need PNTR:**</u>

  - Cannot retain annual NTR and achieve full benefits of the agreement. Moreover, this deal will lock in economic reform, advance rule of law and move China in direction of greater openness. Will remove Chinese Government from vast areas of economic life, promoting economic freedomes.

WORKING WITH CONGRESS

- Congress has a legitimate oversight role on human rights and foreign policy. There is interest on both sides of the aisle, and within the Administration, in strong enforcement of China's WTO commitments and in continuing to monitor and assess China's human rights practices and continuing to voice our very real concerns.

- We are consulting closely with members of Congress, listening to their thoughts and concerns, and are reviewing constructive ideas that advance our national interents and concerns and that broaden the bipartisan consensus for PNTR.

COMPANIES MUST BE VOCAL: ENTERING CRITICAL PERIOD

- Vote has been set. Entering critical period.

- Essential to educate your employees and suppliers about benefits of trade generally, and PNTR specifically.

- In next 10 days, opponents of this agreement will be out in force. Members will be home for recess, and under pressure.

- Supports have to make their views known. This is a one way deal that we would be fools to walk away from.

BACKGROUND FACTS AND STATISTICS

UNPRECEDENTED NEW MARKET ACCESS

- **The U.S.-China WTO Accession Agreement Gives American Companies Workers And Farmers Unprecedented Access To China's Market.** China maintains extensive barriers to imports of American products and restricts access to U.S. services. The one-way Agreement negotiated in November requires China to open its market, while we are required only to maintain the market access policies we already apply to China by granting PNTR. Denying China PNTR will cost American exports and the jobs they support, as our competitors in Europe, Asia, and elsewhere capture Chinese markets that we fought to open. Under the strong, enforceable market opening Agreement negotiated by the United States:

- **China will cut agricultural tariffs by more than half priority products.** On U.S. priority agricultural products, tariffs will drop from an average of 31% to 14% by January 2004, with sharper drops for beef, poultry, cheese, pork, and other commodities. For the first time, our producers will be able to export and distribute directly inside China for every agricultural product of export interest to the United States without going through state-trading enterprises or middlemen. USDA estimates that China's WTO accession would result in $2 billion annually in additional U.S. exports by 2005.

  - **China will eliminate agriculture export subsidies.** China has committed not to use export subsidies for agricultural products when it joins the WTO. This commitment would level the playing field in third-country markets for U.S. exports of corn, rice, and cotton -- which in the past have been displaced by unfairly traded Chinese exports.

  - **China will eliminate scientifically unjustified restrictions on U.S. agricultural products.** China has committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science -- not political agendas or protectionist concerns. Additionally, China and the United States agreed bilaterally on the terms for the removal of scientifically unjustified restrictions on imports of U.S. wheat, citrus, and meat.

- **China will sharply reduce industrial tariffs.** Industrial tariffs on U.S. products will fall from an average of 24.6% in 1997 to an average of 9.4% by 2005. Considering that manufactured goods comprise a large proportion of American exports, the drop in Chinese tariffs is good news for our workers in high-tech and basic industries.

- **China will eliminate tariffs and quotas on information technology products by 2005.** Chinese tariffs on information technology products currently average 13%. Upon accession to the WTO, China will adopt the Information Technology Agreement, which eliminates import duties on these products. China will eliminate two-thirds of its tariffs by 2003 and the remaining one-third by January 1, 2005. China will eliminate quotas immediately upon accession.

- **China will allow new rights to import and distribute.** At present, China severely restricts trading rights (the right to import and export) and the ability to own and operate distribution networks -- both essential to move goods and compete effectively in any market. China will phase in trading rights and distribution services for almost all products over 3 years, and also open up sectors related to distribution services, such as repair and maintenance, warehousing, trucking, and air courier services. ***This will allow our manufacturers to export to China from here at home, and to have their own distribution network in China, rather than being forced to set up factories there to sell products through Chinese partners.***

BENEFITS TO SMALL AND MEDIUM SIZE BUSINESSES

THE U.S. – CHINA WTO ACCESSION DEAL: BENEFITS FOR SMALL- AND MEDIUM-SIZED COMPANIES

April 6, 2000

PNTR Means More U.S. Exports to China: China's entry into the WTO will dramatically reduce market access barriers currently imposed on U.S. exports of goods and services, including those exported by small- and medium-sized enterprises (SMEs – companies with 500 or fewer employees) and provides a means to ensure China's compliance with its commitments. But U.S. companies, farmers and workers will be denied the full market access and enforcement benefits of China's commitments unless Congress enacts permanent Normal Trade Relations (PNTR) for China.

The Chinese Market Is Increasingly Important to U.S. Small Businesses. A dominant and growing share of U.S. exporters to China are SMEs.

- Eighty-two percent of all U.S. exporters to China in 1997 were SMEs. SMEs generated over 35% of total U.S. merchandise exports to China in 1997.
- The number of small firms exporting to China has risen at a rapid rate. From 1992 to 1997 the number of SMEs exporting to China surged by 141 percent -- compared to an 81 percent rise in the number of large-company exporters.
- The value of SME exports to China more than doubled (107 percent) between 1992 and 1997, increasing by nearly $2 billion. China made China the third largest growth market for SMEs globally over this period.

Small Businesses Will Benefit In Many Ways From China's Implementation Of Its WTO Commitments.

- The significant reduction of tariffs will help U.S. SMEs exporting to China compete on a more level playing field with companies located there.
- Paperwork costs for SMEs will be reduced significantly as customs and licensing procedures will be simplified and made uniform throughout China.
- Under the trading rights provisions, U.S. exporters will no longer be required to use Chinese Government- approved "middlemen" to sell their products in China. They will be able to sell U.S.-made products directly to customers in China – which will mean a significant decrease in export costs.
- Easier access to and more control over distribution systems in China will allow U.S. companies to oversee commission agents' services, franchising services, transportation, wholesaling, repairs, and retailing of their products. One-third of all U.S. SME exporters to China could benefit from this provision as these companies are involved in wholesaling.
- U.S. exports will receive uniform treatment with regard to tariffs and the same treatment as Chinese firms for taxes.
- This streamlining of China's requirements for trading in China is particularly valuable to SMEs, which typically have fewer resources than larger businesses to deal with often complex and costly regulations.

- China will be required to conform its standards and inspection procedures to WTO norms, eliminating excessive testing requirements and other barriers that are especially disadvantageous for SMEs.
- Stronger enforcement of intellectual property rights through the WTO will benefit U.S. companies making "cutting-edge" products that involve unique technologies or processes.

Small Businesses Also Will Benefit From Application Of WTO Rules To China. Membership in the WTO will support the further development of the rule of law in China. This will aid American SMEs in several ways:

- Greater transparency, impartial dispute settlement, and other features of China's WTO membership will benefit SMEs in particular -- in view of their limited resources and the particular challenges they face in dealing with China's often complex legal and regulatory policies.
- Through WTO dispute settlement, we would gain a stronger means for ensuring Chinese compliance with its obligations. China has agreed to subject its decisions to impartial review, and ultimately imposition of sanctions if necessary -- and China will not be able to block panel decisions. If China loses a dispute, it will have to change the offending practice, provide compensation, or be subject to denial of access to our market in an amount proportional to the harm it causes. The U.S. has been the most frequent user of the WTO dispute settlement mechanism, obtaining favorable results so far on 23 of the 25 complaints that we have initiated and that have been acted upon.
- In addition, the President's new enforcement/compliance budget initiative includes provisions focused on the special needs of SMEs. For example, it will provide new resources to help smaller businesses assess their options for using U.S. trade laws to respond to WTO-inconsistent trade practices. The additional resources for monitoring China's compliance with its obligations will also help SMEs address any potential market access barriers.

Overall Gains In Exports To China Will Benefit Small Businesses Supplying U.S. Companies. PNTR means more exports to China. Many small businesses supply products and services to larger companies that then export to China. For example, a majority of Boeing's suppliers are small businesses. Boeing purchased over $30 billion worth of materials in 1999 from more than 28,000 U.S. suppliers located in every state. These suppliers employ about 200,000 workers. Boeing's cumulative sales to China have totaled $19 billion and the company forecasts a market worth $120 billion over the next 20 years. A more open Chinese market thus will help support jobs for thousands of workers at SMEs and other companies across the United States -- including many that do not export directly to China.

This Is A One-Way Deal In Which China Has Agreed To Open Its Market While The United States Simply Maintains The Market Access Policies We Already Have. If Congress enacts PNTR, there will be more exports to China of products made in the United States by American workers, farmers, SMEs and other businesses. If Congress does not grant PNTR, our competitors will enjoy the full market access and enforcement rights in China that we will be denied.

FAIR TRADE AND WORKER PROTECTIONS

- **The Agreement Gives American Workers And Farmers New Leverage To Ensure Fair Trade And To Protect Against Import Surges, Unfair Pricing, And Abusive Investment Practices.** In addition to opening China's markets to more exports made in the U.S. by American workers and farmers, this Agreement strengthens our ability to ensure fair trade and to protect American farmers and workers from import surges, unfair pricing, and abusive investment practices such as offsets and forced technology transfer. Prior to the negotiations, Democrats and Republicans in Congress raised legitimate concerns about the importance of safeguards against unfair competition. As a result, *no agreement on WTO accession has ever contained stronger measures to strengthen guarantees of fair trade and to address practices that distort trade and investment.*

- **The Agreement's China-specific safeguard improves our ability to respond to import surges.** China has agreed to a 12-year country-specific import safeguard mechanism that will provide stronger and more targeted relief than that provided under our current Section 201 law. This ensures that the U.S. can take effective action in case of increased imports of a particular product from China that cause or threaten to cause market disruption in the United States. This applies to all industries, permits us to act based on a lower showing of injury than Section 201, and permits us to act specifically against imports from China.
- **China has agreed to prohibitions on practices that can cost Americans jobs and technology.** China will no longer require U.S. companies to transfer their technology in order to export or invest in China. This will better protect U.S. competitiveness and the results of U.S. research and development. In addition, China will no longer require U.S. manufacturers to export as a condition for importing inputs, to use Chinese-made parts for products sold in China, or to balance the value of their exports and imports, so as to prevent a net loss in foreign exchange. If existing contracts contain such provisions, China has committed not to enforce those contract requirements. In addition, China will not condition import licenses or investment approval on performance requirements, including offset and technology transfer requirements, or deny approval of imports or investment because there is a competing Chinese producer. This Agreement will make it significantly easier for American companies to export to China from the U.S., rather than having to set up in China to sell products there.
- **China's commitments will be enforceable through WTO dispute settlement for the first time.** In no previous trade agreement has China agreed to subject its decisions to impartial review, and ultimately imposition of sanctions if necessary -- and China will not be able to block panel decisions. If China loses a dispute, it will have to change the offending practice, provide compensation, or be subject to denial of access to our market in an amount proportional to the harm it causes.
- **The United States maintains the right to use the full range of American trade laws.** These include Special 301, Section 301, Section 201, and our antidumping laws, all of which continue to be effectively used to advance U.S. interests in a WTO-consistent manner.
- **The U.S. will maintain its ability to protect its important interests.** Strong provisions in the WTO rules allow the U.S. -- even when dealing with a country enjoying NTR status -- to continue to block imports of goods made with prison labor, to maintain our export control policies, to use our trade laws, and to withdraw benefits, including NTR, in a national security emergency. And Congress can, at any time, choose to revoke PNTR, if circumstances warrant and Congress is willing to forego WTO benefits.

ENFORCEMENT

- **The United States Will Monitor Vigilantly And Enforce Aggressively.** We are already preparing for an increased monitoring and enforcement effort through President Clinton's request for *$22 million in new enforcement* and compliance resources for USTR, the Commerce Department, USDA, and the State Department. The President is requesting resources for the *largest monitoring and enforcement effort for any agreement ever*, covering China's obligations in the WTO and strong enforcement of our trade laws.

- **Tripling resources for China compliance monitoring at the Department of Commerce:** The President's new initiative would triple resources dedicated to China trade compliance -- including administration of our unfair trade laws. Commerce would more than double the number of compliance officers in Washington devoted to China to ensure effective enforcement of China's WTO accession commitments and other bilateral trade agreements.
- **Seventy-Five Percent Increase in China Enforcement Personnel at USTR:** The additional resources for the U.S. Trade Representative would strengthen its ability to ensure that the terms of our agreements are fulfilled. This initiative would create new positions in four areas of expertise -- legal, economic, geographic, and sectoral -- to be devoted to negotiating, monitoring, and enforcing trade agreements, and would significantly increase staff dedicated to China.
- **Monitoring compliance overseas:** The new Commerce/State Overseas Compliance Program provides for trade experts to monitor compliance with international trade obligations and support enforcement of U.S. trade laws, such as those involving market access issues, subsidies, dumping, and other unfair trade practices. By strengthening our capacity to gather information "on the ground" in foreign countries, this initiative would help American businesses make the most of market access opportunities and facilitate the investigation of trade agreement violations.
- **Increased enforcement for American agriculture:** The President's budget calls for providing additional resources to the U.S. Department of Agriculture to bolster its legal and technical expertise in areas covered by trade agreements and U.S. trade law. USDA monitors implementation of the WTO agreement's agricultural trade liberalization provisions and works with USTR to ensure compliance.

DEFICIT AND TRADE FLOWS

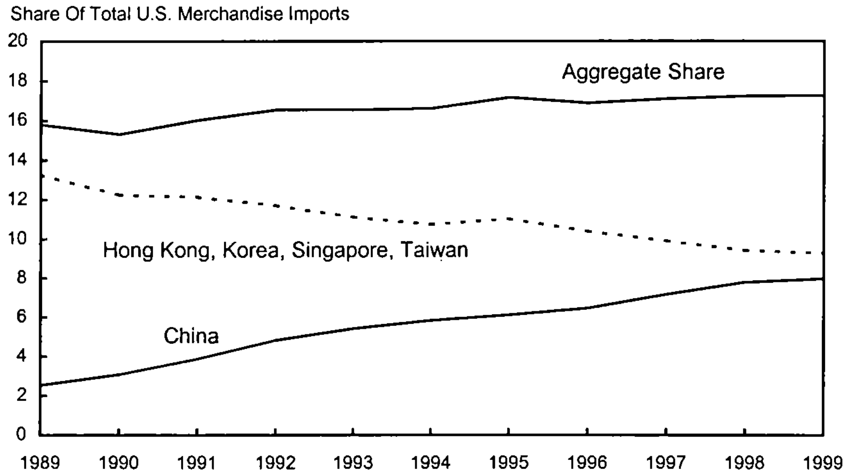
U.S. Exports Will Increase If Congress Grants PNTR: We expect trade to increase in both directions, but U.S. exports will be significantly higher if Congress enacts PNTR and guarantees American exporters the expanded market access rights we negotiated.

- For agriculture alone, USDA estimates that China's WTO accession would result in at least $2 billion annually in additional U.S. exports by 2005.
- Independent studies also suggest that our exports will increase. A report by an economist at the Institute for International Economics, for example, suggests that U.S. exports to China are likely to increase by at least $3.1 billion per year even in the short run. The Congressional Research Service, citing the results of a Goldman Sachs analysis, suggests that U.S. exports to China could rise by $12.7 billion to $13.9 billion a year by 2005.

Increases In U.S. Imports From China Largely Reflect A Displacement Of Exports From Other Asian Countries. According to official U.S. estimates, our trade deficit with China was approximately $69 billion in 1999. Our exports to China totaled about $13 billion and our imports from China totaled about $82 billion. Our exports to China have more than doubled over the past decade, but our imports have grown more rapidly. As the Asian Newly Industrializing Economies (NIEs), consisting of Hong Kong, Korea, Singapore, and Taiwan, have developed, production of light manufactures has shifted to China.

- Over the past decade, China and the Asian NIEs have, in aggregate, accounted for a nearly constant share of U.S. imports -- about 16 percent in 1989 and about 17 percent in 1999, with only a small amount of variation in between those years.
- If U.S. consumers were not purchasing these light manufactures from China, they would be purchasing them from other, less competitive, low-income countries. As a result, U.S. consumers could pay higher prices.

The Aggregate Share Of U.S. Imports From China And The Asian NIEs Has Remained Nearly Constant



Macroeconomic Forces Determine Our Overall Trade Balance. Strong growth in the United States, coupled with weak growth in other parts of the world, has produced our substantial overall trade deficit. These factors have increased U.S. demand for imports relative to foreign demand for our exports. Overall, however, open trade, in a rules-based multilateral system, dampens inflation, spurs innovation, and promotes economic growth.

Our Bilateral Deficit Reflects China's Specialization In Consumer Goods. Consumer goods -- consisting largely of products like footwear, apparel, toys, and some consumer electronics -- account for nearly 70 percent of U.S. imports from China. Lower income households in particular benefit from the availability of these competitively priced products. The EU and Japan run bilateral deficits with China for similar reasons. Given China's comparative advantage in producing these kinds of consumer goods, our trade deficit with China will continue to account for a substantial share of our overall trade deficit. Nevertheless, the elimination of Chinese barriers to imports will present new opportunities for U.S. exporters.

DRAFT—5/04/00

Proposed China Framework

I. Congressional-Executive Commission on China

Proposal: As part of the framework for bringing China into the WTO, the proposal will establish a Congressional-Executive Commission on China. The Commission will consist of nine Members of each House, plus five Presidential appointees.

The Commission will have three pillars within its scope. The first pillar will be monitoring human rights in China (including religious freedoms). The second pillar will be monitoring overall aspects of labor market issues in China. The third pillar will be monitoring and encouraging the development of rule-of-law and democracy-building in China.

The Commission will submit to Congress and to the President an annual report of its findings, including as appropriate WTO-consistent recommendations for legislative and/or executive action. It will also maintain lists of victims of human rights abuses in China. Finally, the Commission will respond to information requests from individual Members of Congress.

The model for this Commission is the Commission on Security and Cooperation in Europe, a Congressional-Executive entity established in 1976 to monitor compliance by other countries with the provisions of the Helsinki Final Act.

The CSCE experience indicates that a China Commission will be an effective mechanism for maintaining pressure on China with respect to labor market issues, rule of law issues, and human rights.

From its creation in 1976 to the end of the Cold War, the CSCE was one of several important instruments for championing human rights, democracy and rule of law in the countries of the former Soviet bloc. Since the Cold War, the CSCE has monitored elections in former Soviet bloc countries.

The strengths that the CSCE has exhibited include the following:

* It has pulled together large amounts of information related to human rights, regional security, and other issues, analyzed that information, and communicated it to the Administration, Congress, and the public in a manner that generally is considered impartial and authoritative. Its credibility with the Administration and Congress has given the CSCE a good deal of influence in shaping policy on issues within its areas of expertise.

* The CSCE has become a reliable liaison between the U.S. Government and dissidents, human rights leaders, intellectuals and other citizens of the countries that it monitors.

* The CSCE has drawn attention to particular cases of human rights violations. During the worst days of Soviet bloc repression, the Commission brought cases to the attention of governments in the Soviet bloc and worked to resolve them.

Based on the CSCE experience, there are several reasons to expect that a China Commission will be an effective means of maintaining scrutiny and pressure on China in the areas of human rights (including religious freedom), worker rights, and rule of law:

* First, a bipartisan standing Commission will institutionalize Congressional examination of measures by the Government of China that affect U.S. interests. Commitment to this task will be permanent and concentrated, as opposed to sporadic and diffuse, as has been the case under current law (i.e., annual reviews).

* Second, the Commission will become an effective base from which to mobilize support for particular improvements in China's policies and practices. For instance, if the Commission spotlights particularly egregious conduct by the Government of China, it will be able to rally a bipartisan consensus for pressing China to change its conduct more easily than an individual Member of Congress would otherwise be able to do.

* Third, as Chinese citizens gain greater access to the outside world through the Internet and other modes of communication, the Commission will become an important conduit between Chinese citizens, on the one hand, and the U.S. Government and public, on the other. For instance, victims of human rights abuses in China and their advocates in the NGO community will be able to communicate directly with the Commission.

* Fourth, the Commission will be a strong, effective, and unique point of contact on China issues between Congress and the Administration. Thus, as in the case of the CSCE, the Commission will be used to highlight for the Administration issues of particular concern to Congress. This will assist the Administration in deploying its diplomatic and other foreign policy tools most effectively.

II. Legislating the China Product-Specific, Anti-Surge Safeguard

Background: The November 1999 Agreement between the United States and China contains a product-specific safeguard, which will be included in China's protocol of accession to the WTO. The safeguard permits the United States and other WTO Members to provide relief to domestic industries and workers, "where products of Chinese origin are being imported into the territory of any WTO Member in such increased quantities or under such conditions as to **cause or threaten to cause market disruption** to the domestic producers of like or directly competitive products."

DRAFT—5/04/00

This special anti-surge safeguard will apply to China for a period of **12 years** following China's accession to the WTO.

The China safeguard contains lower causation and injury standards than ordinarily would apply between WTO Members. According to the U.S.-China Agreement, market disruption occurs when subject imports "are increasing rapidly, either absolutely or relatively, so as to be a **significant cause** of **material injury**, or threat of material injury to the domestic industry." By contrast, under the U.S. law that applies to other WTO Members (section 201 of the Trade Act of 1974), the relevant inquiry is whether goods are being imported into the United States "in such increased quantities as to be a **substantial cause** of **serious injury**."

Issue: There is a need to spell out how the anti-surge safeguard in the U.S.-China Agreement will be implemented as a matter of U.S. law. Therefore, Congress should develop and write into law a procedure for U.S. industries and workers to seek and obtain relief under the China product-specific safeguard.

Proposal: Under the proposed legislation, U.S. industries or workers claiming injury due to import surges from China would file a petition with the U.S. International Trade Commission (" ITC"), or the ITC would initiate an investigation at the request of the President or on motion of the House Ways & Means Committee or Senate Finance Committee. Within 60 days after receipt of the petition or request/motion, the ITC would make a determination as to whether the subject imports are causing or threatening market disruption. If the ITC determination is affirmative, the President would be required to request consultations with the Government of China. This would start a 60-day consultation period, as required by the U.S.-China Agreement.

Twenty days after the ITC made an affirmative determination with respect to market disruption (i.e., 80 days after receipt of the petition or request/motion), the ITC would make a recommendation of actions necessary to prevent or remedy the market disruption. Twenty days later, the U.S. Trade Representative would publish a notice of proposed action, seeking comments on the appropriateness of the proposed action and whether it would be in the public interest. An opportunity for hearing on that action would also be provided.

If the United States and China are unable to reach agreement within the consultation period, then the President will be required to decide what action, if any, to take within 25 days after the end of consultations. Any relief proclaimed would become effective in 15 days.

The entire period from petition (or request/motion) to proclamation of relief would be 150 days.

The proposal will make clear the standards for application of Presidential discretion in providing relief to injured industries and workers. If the ITC makes an affirmative determination on market disruption, there will be a presumption in favor of providing relief. That presumption can be overcome only if the President finds that providing relief would have an adverse impact on the

United States economy substantially out of proportion to the benefits of such action, or that such action would cause serious harm to the national security of the United States.

The proposal also will authorize the President to provide a provisional safeguard in cases where " delay would cause damage which it would be difficult to repair," as permitted under the U.S.-China Agreement. If such circumstances are alleged, the ITC would be required to make a preliminary determination on market disruption and critical circumstances on an abbreviated schedule. After receiving an affirmative preliminary ITC determination, the President would be required to determine whether to provide such relief on a similarly abbreviated schedule.

Finally, the proposal will implement a provision in the U.S.-China Agreement concerning trade diversion. That provision addresses circumstances in which a safeguard applied by a third country with respect to Chinese goods "causes or threatens to cause significant diversions of trade" into the United States.

Under the proposal, if another WTO Member requests consultations with China under the product-specific safeguard, the U.S. Customs Service would begin monitoring imports of subject products into the United States. If, on the basis of this monitoring or other credible evidence, it is determined that an action by another WTO Member threatens or causes significant trade diversion, the USTR will request consultations with China and/or the Member imposing the safeguard. If, as provided in the Agreement, consultations fail to lead to an agreement to address the trade diversion within 60 days, the USTR will publish notice of proposed action and provide an opportunity for the public to provide evidence and views on the proposed action. After receiving such views, the President shall determine, within 20 days, what action, if any, to take to prevent or remedy the trade diversion.

III. Continuing Oversight of China's Compliance With WTO Obligations

A. Annual Report on China's Compliance With WTO Obligations

Proposal: This provision will require the U.S. Trade Representative to issue an annual report on China's compliance with WTO obligations. The report will cover compliance by the People's Republic of China with commitments made in connection with its accession to the World Trade Organization, including both multilateral commitments and any bilateral commitments made to the United States.

The report's contents will be more comprehensive than the China section in USTR's National Trade Estimate Report on Foreign Trade Barriers. The report will be a complete analysis of Chinese compliance with the implementation of obligations. By highlighting where China is meeting obligations and where it is falling short, the report will be a guide to where and how to commit enforcement resources.

DRAFT—5/04/00

B. Annual WTO Review of China's Compliance With WTO Obligations

Proposal: In negotiating China's Protocol of Accession, the Administration will press for a mechanism for reviewing China's compliance with WTO obligations on an annual basis.

Given the early stages of development of a free market and rule of law in China, it is necessary that China be given special scrutiny within the WTO. Paired with the annual report by the USTR (described in the immediately preceding section), there will be two mechanisms to ensure strong oversight of China's trade record.

IV. Task Force on Prohibition of Importation of Products of Forced or Prison Labor

Proposal: The import of goods made by forced or prison labor into the United States is prohibited by U.S. law (section 307 of the Tariff Act of 1930), consistent with the GATT 1994. Article XX of the GATT allows countries to take action without retaliation to prohibit import of goods made by prison labor. The proposed provision will instruct the President to establish an interagency task force, chaired by the Secretary of the Treasury or his designee, to monitor and promote effective enforcement of this prohibition, including compliance by Chinese and other foreign exporters. The task force will include officers and employees from the Departments of Treasury, Commerce, Labor, and other agencies. The task force will coordinate closely with the U.S. Customs Service to promote maximum effectiveness of Customs enforcement of Section 307 of the Tariff Act of 1930 in the following specific areas:

1) investigations of allegations of forced or prison labor imports;
2) working with the Chinese government and other foreign governments to arrange visit to suspected prison labor facilities;
3) providing technical assistance to China and other foreign governments to ensure that forced or prison labor goods are not imported into the U.S.;
4) monitoring U.S. ports for forced or prison labor goods; and
5) engaging in any other activities necessary to stringently enforce section 307 of the Tariff Act of 1930.

The task force will strengthen the ability of the U.S. Government to stop imports of goods made by forced or prison labor. The members of the task force will work with the Chinese Government and other foreign governments to ensure that this prohibition is strictly enforced.

V. Monitoring and Enforcement of Foreign Government Compliance With Trade Agreements

Proposal: This provision calls for additional resources to be allocated to the Departments of Commerce, Agriculture, and State, and to the Office of the U.S. Trade Representative to strengthen the ability of the United States to monitor and enforce Chinese and other foreign government compliance with trade agreements. The provision will include resources to promote the following activities, among others:

1) staffing to monitor China's compliance with the WTO Agreements;
2) defend U.S. safeguard, antidumping, and countervailing duty measures and U.S. policy to maintain strong trade remedies;
3) enforce U.S. trade laws, including import monitoring, subsidy enforcement, and prompt antidumping and countervailing duty investigations under Title VII of the Tariff Act of 1930;
4) create a Trade Law Technical Assistance Center to assist small and medium sized businesses, workers, and unions with preparation of petitions seeking remedies for alleged violations of trade laws;
5) create an Overseas Compliance Program, that will monitor compliance with international trade obligations by foreign governments;
6) commit additional funds to investigate, prosecute and defend cases before the WTO and NAFTA tribunals;
7) commit funds and resources to analyze the impact of trade on the economy of the United States;
8) increase legal and technical expertise in areas covered by trade agreements and U.S. trade law, including food safety and biotechnology.

The wide-ranging provisions will substantially increase the ability of the U.S. Government to monitor and enforce Chinese and other foreign government obligations in international trade agreements. In addition to calling for funds for enforcement, the framework calls for legal and technical assistance for companies and workers pursuing antidumping and countervailing remedies.

VI. Promotion of Adherence to Core Labor Standards in Foreign Countries

Proposal: This proposal calls for the allocation of resources to the Department of Labor to provide assistance to China and other foreign countries in complying with internationally recognized worker rights. Such assistance will be provided on a multilateral or bilateral basis and will support working with international organizations that promote core labor standards, such as the International Labor Organization. Specific provisions will include resources for multilateral and bilateral technical assistance programs on issues such as:

1) development of laws, regulations, and other measures to implement internationally recognized worker rights, including elimination of the worst forms of child labor;
2) establishing national mechanisms for the enforcement of national labor laws and regulations;
3) training government officials concerned with the implementation and enforcement of national labor laws and regulations;
4) developing an infrastructure to educate workers about their legal rights and protections under national labor laws and regulations.

The Administration, including the Secretary of Labor, will continue to pursue efforts to promote and advance core labor standards in China, including through a bilateral dialogue and programs with China.

In FY 2000, the Congress appropriated $30,000,000 to the Department of Labor for bilateral and multilateral technical assistance programs to promote core labor standards and social safety nets. The present provision will expand upon that appropriation to carry out this mission, including with respect to China.

VII. Accession of Taiwan to WTO

Proposal: This provision will express the sense of the Congress that the WTO General Council should approve both the PRC's accession and Taiwan's accession at the same General Council session.

EXECUTIVE ORDER

COMMISSION ON WORKERS, COMMUNITIES AND ECONOMIC CHANGE IN THE NEW ECONOMY

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Federal Advisory Committee Act, as amended (5 U.S.C. App.), it is hereby ordered as follows:

Section 1. Establishment. There is established the Commission on Workers, Communities and Economic Change in the New Economy ("Commission"). The Commission shall be comprised of not more than 15 persons appointed by the President from individuals who are representatives of State or local agencies relating to workforce development or community economic development, workforce development professionals and educators, labor organizations (chosen from representatives who are nominated by a national labor federation), business leaders and Members of Congress. In addition, the Secretaries of the Treasury, Labor, Commerce and Housing and Urban Development shall serve as non-voting ex-officio members of the Commission. The President shall appoint a chairperson from among the voting members of the Commission.

Sec. 2. Functions. The Commission shall conduct a study of matters relating to economic dislocation and worker and community adjustment to such dislocations. In carrying out this study, the Commission shall examine:

(a) the impact of international trade, technology, globalization and the changing nature of work on both workers and their communities;

(b) the effectiveness of existing programs at the Federal level in assisting workers and communities in adjusting to economic change, including the adequacy of the design of such programs and resources devoted to such programs;

(c) the strategies for providing workplace education and training to assist workers in acquiring new skills;

(d) the strategies for assisting communities to adjust to changing economic conditions and the changes in the mix of employment opportunities in those communities;

(e) the role of public-private partnerships in implementing job training and community assistance; and

(f) the role of income support and economic security programs in facilitating worker adjustment in rapidly changing economic circumstances.

Sec. 3. Report. Not later than12 months after the first meeting of the Commission, the Commission shall prepare and submit to the President and the Congress a report that contains:

(1) a detailed statement of the findings and conclusions of the Commission relating to the study carried out under Section 2;

(2) a compendium of best practices and policies carried out by employers and public-private partnerships in providing workers with the education and training needed to effectively adjust to economic change;

(3) a compendium of best practices and policies carried out by or on behalf of communities in responding to large-scale economic changes; and

(4) any recommendations relating to legislative and administrative actions that the Commission determines to be appropriate.

Sec. 4. Administration. (a) Members of the Commission shall serve without compensation for their work on the Commission. While engaged in the work of the Commission, members appointed from among private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the Government service (5 U.S.C. 5701-5707).

(b) The Department of Labor shall provide the commission with funding and administrative support. The Commission may have paid staff including detailees from Federal agencies. The Secretary of Labor shall perform the functions of the President under the Federal Advisory Committee Act, as amended (5 U.S.C. App.), except that of reporting to the Congress, in accordance with the guidelines and procedures established by the Administrator of General services.

Section 5. General Provisions. The Commission shall terminate 30 days after submitting its report.

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05/05/2000 07:19:58 PM

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Friday May 5 2:50 PM ET

Congress Set to Take Up China Watchdog Plan

By Adam Entous

WASHINGTON (Reuters) - Legislation setting up a commission to monitor human rights in China is expected to be introduced next week, as the congressional battle intensifies over President Clinton's landmark trade agreement with Beijing.

The legislation, proposed by Michigan Democratic Rep. Sander Levin and backed by the White House, called for Congress to set up a commission that would review a wide range of Chinese policies, including human rights and labor standards, and could recommend enforcement ``actions'' against Beijing as long as they were consistent with World Trade Organization (WTO) rules.

Levin, the ranking Democrat on the House Ways and Means Trade Subcommittee, said he planned to introduce the bill next week, and that it will be co-sponsored by a Republican, probably Nebraska Rep. Doug Bereuter.

``I would hope we can do that next week,'' Levin told reporters. ``We're expanding our discussions on both sides of the aisle and the administration. There's increasing interest and increasing support.''

Levin's proposal is also making inroads in the Senate, where

Sen. Max Baucus, a Montana Democrat, said he was likely to sponsor the bill.

The House was scheduled to vote on the trade agreement in the week of May 22-26. The Senate was to follow in early June. If backed by the House, aides said it should garner bipartisan support in the Senate, where passage of permanent normal trade relations (PNTR) for China is virtually assured.

PNTR would guarantee Chinese goods the same low-tariff access to U.S. markets as products from nearly every other nation. China now enjoys that status only after an annual congressional review.

Battle Intensifies

The announcement came as the White House intensified its lobbying campaign in what was shaping up to be this year's biggest legislative battle, pitting business against labor.

Commerce Secretary William Daley flew to Texas on Friday to meet with Rep. Ruben Hinojosa, an undecided Democrat, hoping to secure his vote. On Tuesday the administration will bring former U.S. presidents and other officials to the White House to endorse the agreement.

The Clinton administration saw Levin's proposal as a way of reaching out to Democrats in the House of Representatives who want a forum to air their concerns about human rights and labor abuses in China in exchange for supporting the market-opening pact when the House votes.

Levin's plan may also win Republican backing, according to key lawmakers. ``We're looking forward to some kind of bipartisan resolution on that in the not-so-distant future," said Rep. David Dreier, a California Republican.

But the proposal faces opposition from labor unions and other groups, including Public Citizen's Global Trade Watch, which called it a ``toothless sham."

By some congressional estimates, Levin's proposal could give the agreement a 15-or-20-vote boost in the House. With the help of the legislation, Clinton's allies said they should be able to get support from 70 to 80 House Democrats, along with 150 Republicans -- enough to ensure passage. Approval requires 218 votes in the 435-member House.

Permanent Normal Trade Relations Sought

The trade agreement, which paves the way for China to join the Geneva-based WTO, called on Beijing to open a range of markets, from agriculture to telecommunications.

In exchange, the White House says, Congress must grant PNTR to China.

Under Levin's legislation, Congress would create a special "congressional-executive commission" that could investigate Chinese human rights abuses, analyze U.S. security concerns and issue recommendations to lawmakers.

Aides said these recommendations could include sanctions consistent with WTO rules, such as a cessation of U.S. Export-Import Bank and U.S. Overseas Private Investment Corp. support to China. Congress could also direct the Clinton administration to oppose new loans to China from the World Bank and the International Monetary Fund.

Levin said the legislation would not use the term "sanctions," but instead refer to ``actions that would be WTO-consistent." Some House Republicans have balked at the term "sanctions," saying it was too confrontational.

In addition, Levin's proposal would include strengthened safeguards against import surges and call for the WTO to review China's compliance with the pact on an annual basis. It would also urge the WTO to admit Taiwan immediately after China.

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