Case Number: 2010-1024-F

FOIA MARKER

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

Folder Title: [China WTO Documents] [2]
Staff Office-Individual: National Economic Council-Lee, Malcolm
Original OA/ID Number: CF 1177

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

Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	For the President from Samuel Berger and Gene Sperling. Subject: China WTO Next Steps (2 pages)	10/30/1999	P1/b(1)
002. draft	Letter to Premier Zhu Rongji. (2 pages)	10/30/1999	P1/b(1)
003. paper	Package for Concluding a Bilateral WTO Agreement Between the United States and China. (2 pages)	10/30/1999	P1/b(1)
004. draft	Duplicate of 002. (1 page)	10/30/1999	P1/b(1)
005. paper	Duplicate of 003. (2 pages)	10/30/1999	P1/b(1)
006. report	Side-by-Side Analysis. (14 pages)	10/30/1999	P1/b(1)
007. draft	Talking Points for Telephone Conversation with President Jiang Zemin. (3 pages)	11/05/1999	P1/b(1)
008. talking points	Points to be Made for Telephone Call with President Jiang. Record ID: 9907662. (2 pages)	10/16/1999	P1/b(1)
009. draft	Memorandum of Conversation between President Clinton and President Jiang Zemin. (4 pages)	c. 09/1999	P1/b(1)
010. report	Chinese Economy (3 pages)	06/03/1999	P1/b(1)
011. report	Chinese Economy (4 pages)	06/01/1999	P1/b(1)

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Clinton Presidential Records
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[China WTO Documents] [2]

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RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. draft	Letter to Premier Zhu Rongji. (1 page)	10/30/1999	P1/b(1)

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006. report	Side-by-Side Analysis. (14 pages)	10/30/1999	P1/b(1)

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007. draft	Talking Points for Telephone Conversation with President Jiang Zemin. (3 pages)	11/05/1999	P1/b(1)

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008. talking points	Points to be Made for Telephone Call with President Jiang. Record ID: 9907662. (2 pages)	10/16/1999	P1/b(1)

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Recent News Clips on China

China WTO Issues

- **AP Online:** *Schroeder: China-WTO Deal Near (11.6.99)*
- **Washington Times:** *Chirac Says US Has No Choice but to Live with Globalization; French Leader Cautions Against Keeping China Out of WTO (11.5.99)*
- **Agence France Press:** *Europe Unwilling to Rush China into WTO (11.5.99)*
- **Denver Rocky Mtn. News Op-Ed:** *Minor Trade Bill Victory Won't Fix China Fumble (11.4.99)*
- **WP:** *US Pushes China for Deal as WTO Date Looms (11.3.99)*
- **WSJ:** *US, EU Coordinate on China WTO Bid (11.3.99)*
- **NYT Editorial:** *In Search of a Chinese Trade Deal (11.3.99)*
- **FT Editorial:** *China on the Line (11.3.99)*
- **Inside US Trade:** *EU, China Resume WTO Entry Talks with Stocktaking Exercise (10.29.99)*
- **FT:** *EU Officials Still See WTO Hurdles for China (10.28.99)*

China Macro Issues

- **Agence France Press:** *China Reins in Foreign Mobile-Phone Giants, Boosts Domestic Makers (11.4.99)*
- **FT:** *Call to Widen Renminbi Band (11.3.99)*
- **Asia Info Daily China News:** *Financial Commission Expects GDP to Grow 7 Percent (11.1.99)*
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- **FT:** *China Currency to Remain Stable (10.26.99)*
- **FT:** *US, China Plan Market Links (10.26.99)*

5TH STORY of Level 1 printed in FULL format.

AP Online

November 06, 1999; Saturday 13:43 Eastern Time

SECTION: International news

LENGTH: 385 words

HEADLINE: Schroeder: **China-WTO** Deal Near

DATELINE: BEIJING

BODY:

German Chancellor Gerhard Schroeder says an agreement to allow **China** to join the World Trade Organization is close, but Beijing must first agree to certain conditions.

China is negotiating an agreement with the European Union as part of its 13-year-long bid to join the global trade system. But before **China** can join, it must agree to conditions set by Western nations. One of those requirements includes tariff reductions.

Chinese President Jiang Zemin said although Beijing is keen to enter **WTO,** there were limits to **China's** concessions.

''**China** is a developing country and the opening of the commodity and service markets will take time,'' the Chinese government's news agency Xinhua quoted Jiang as telling Schroeder.

China's entry ''should be beneficial to the stability and development of the Chinese economy,'' he said.

An agreement could occur before the end of the month, but Beijing ''will have to make the decision whether to say yes or no,'' to the membership conditions, Schroeder told reporters Friday before meeting Jiang at the end of a three-day visit to **China.**

Trade negotiators from **China** and the 15-member European Union will hold another round of **WTO** talks ''in the course of this month, before the European-**China** summit,'' Schroeder said.

''I hope that by the end of that, the question will be settled,'' he said.

No date for the summit between Jiang and EU President Romano Prodi and other European dignitaries has been set, although it should take place either later this month or early December, an EU spokeswoman in Beijing said.

Pressure has been building on **China** and its major trading partners the EU and the United States in particular to come to terms before **WTO** trade ministers become absorbed in a new round of global trade talks, opening on Nov. 30 in Seattle.

Schroeder said he detected that anti-**China** attitudes in the United States have begun to soften. But U.S. and Chinese trade negotiators have not met for over a month.

Germany and **China** have largely enjoyed smooth relations this decade, with occasional disruptions over human rights and, this year, over NATO's war with Yugoslavia. Schroeder's state visit makes up for a May trip that was cut short to a tense day of meetings after NATO bombed the Chinese Embassy in Yugoslavia.

LANGUAGE: ENGLISH

LOAD-DATE: November 06, 1999

52ND STORY of Level 1 printed in FULL format.

The Washington Times

November 05, 1999, Friday, Final Edition

SECTION: PART A; WORLD; Pg. A16

LENGTH: 465 words

HEADLINE: Chirac says U.S. has no choice but to live with globalization; French leader cautions against keeping **China** out of **WTO**

BYLINE: FROM COMBINED DISPATCHES

DATELINE: PARIS

BODY:

PARIS - French President Jacques D- Chirac said yesterday that Washington would have to live with globalization and the shift in trade and influence that comes with it, despite what he said are the isolationist tendencies of the U.S. Congress.

Mr. Chirac, addressing a conference on challenges for the 21st century, said **China** should be associated as quickly as possible with a further round of global trade liberalization, at a time when there were signs of growing U.S. tension with Beijing.

With the emergence of several regional groupings such as the European Union and similar blocs in Asia and the Americas, a new world order was being established, Mr. Chirac said.

"This development is desirable and has prompted me over the past four years to redouble efforts to organize this multipolar world.

"The situation is being taken badly by many countries, and among them the most powerful, the United States, where Congress gives in too often to the temptation of unilateralism and isolationism," he said.

"The seeds of what could one day turn into a new bipolar tension between Washington and Beijing are already noticeable," said Mr. Chirac, who played host to Chinese President Jiang Zemin a week ago.

The Congress has come in for harsh international criticism since it voted last month to reject the Comprehensive Test Ban Treaty, which would prohibit the testing of nuclear weapons.

But Mr. Chirac himself suffered similar criticism after his country conducted a series of underground nuclear tests in the South Pacific early in 1996 - shortly before France joined the United States in a voluntary halt to nuclear testing.

Several members of Congress threatened at that time to boycott an address to

Congress by Mr. Chirac scheduled in Washington just days after the testing ended. Some also called for the invitation to be withdrawn.

German Foreign Minister Joschka Fischer, in Washington yesterday for talks with Secretary of State Madeleine K. Albright, also expressed his unhappiness with the Senate vote on the test-ban treaty.

"We hope this is not the last word of the Senate and . . . that the commitment of the United States to arms reduction, and especially nuclear-arms control, will continue," he said.

Mr. Chirac, in his speech yesterday, said France would seek a strengthening of the World Trade Organization (**WTO**) and that it was logical for **China** to seek membership in that body.

"The **WTO** must be an unchallenged and unchallengeable referee and a referee for each and everyone, which is why I hope that **China** will be able to complete membership negotiations as fast as possible and be associated with the launch of the new free-trade round in Seattle," he said.

* Staff writer Toni Marshall in Washington contributed to this article.

GRAPHIC: Photo, Jacques Chirac

LANGUAGE: ENGLISH

LOAD-DATE: November 5, 1999

20TH STORY of Level 1 printed in FULL format.

Agence France Presse

November 05, 1999 09:00 GMT

SECTION: International news

LENGTH: 257 words

HEADLINE: Europe unwilling to rush **China into WTO**

DATELINE: TOKYO, Nov 5

BODY:

European Union Trade Commissioner Pascal Lamy said Friday the EU is unwilling to rush **China** into the World Trade Organisation, stressing "substance, not timing," was the key.

"We have not until now bridged the differences," Lamy told a news conference after meeting Japan's top officials in a two-day meeting which started Thursday.

China is negotiating the terms of its **WTO** accession with the United States and the European Union, notably Beijing's commitment to market-opening measures and its adherence to global trade rules.

The **WTO** had been hoping to get **China** aboard for a key **WTO** ministerial meeting in Seattle starting on November 30 which is expected to launch a "millennium round" of trade-easing talks.

But the global trade body has said time is running out to meet that goal.

Asked if the EU hoped to set a deadline for Beijing's access to the **WTO** in time for the Seattle meeting, Lamy said: "The matter is substance, not timing. I believe that this position (is) shared by my US counterpart."

"**China** is still a developing country in many respects," said the EU's key negotiator at global trade talks in Seattle. But "we still have a number of important issues" to discuss with Bejing, he said.

China has pressed to be allowed to join the **WTO** as a developing nation, a status that would allow it important concessions on trade.

"It is extremely important for **China** to join the **WTO,**" the EU official said. "We also believe it's extremely important for us ... to have **China** inside the system."

si/djw/sls

LANGUAGE: ENGLISH

LOAD-DATE: November 05, 1999

83RD STORY of Level 1 printed in FULL format.

DENVER ROCKY MOUNTAIN NEWS

November 4, 1999, Thursday

SECTION: Local; Ed. Final; Pg. 47A

LENGTH: 727 words

HEADLINE: MINOR TRADE BILL VICTORY WON'T FIX **CHINA** FUMBLE

BYLINE: Holger Jensen

BODY:

President Clinton scored a minor victory this week when the Senate revived a White House-backed trade bill that would grant Africa and the Caribbean more duty-free access to U.S. markets.

If a compromise can be worked out with the House, which fears the measure will cost more jobs in the American textile industry, it would be the first major trade bill approved by Congress since 1994, when it authorized U.S. participation in the World Trade Organization.

But Clinton remains the only American president denied ''fast- track'' negotiating authority for trade agreements, which makes him a less than convincing host for a new round of global trade talks to be launched by 134 nations in Seattle at the end of this month.

Negotiations on **China's** admission to the **WTO** also are stalled, making it highly unlikely that a deal can be reached before the Seattle meeting.

The administration now concedes it made a mistake in rejecting a long list of market-opening concessions offered by Chinese Premier Zhu Rongji when he visited the United States last April. These included slashing tariffs on thousands of U.S. imports, from cars to corn; opening up **China's** vast banking system to U.S. banks and giving U.S. telecommunications firms a foothold in a market where only one in 10 households now has a phone.

Major U.S. industries and farm groups saw it as a surprisingly generous offer. But Clinton, fearing opposition from organized labor and a **China**-bashing Congress, backed off. His rejection weakened Zhu's political standing back home and put the brakes on many of his economic reforms.

Some say Zhu has been eclipsed by Vice President Hu Jintao, who serves as President Jiang Zemin's deputy on the Central Military Commission. Hu is a party hack with little enthusiasm for economic reform. His track record includes overseeing the Chinese occupation of Tibet and the crackdown on the Falun Gong spiritual cult.

Clinton's attempts to revive **WTO** negotiations after the Zhu fiasco were further undermined by the May 7 bombing of the Chinese Embassy in Belgrade. U.S. Trade Representative Charlene Barshefsky told the Senate Banking Committee that

China put all contacts with the United States ''on ice for five months,'' causing a critical delay.

The ice was broken by a late-night phone call Clinton made to Jiang on Oct 16. That was followed by a trip to Beijing last week by Treasury Secretary Lawrence Summers, the highest-ranking administration official to visit **China** since the embassy bombing.

But Barshefsky said trade talks with **China** are now in a ''holding pattern,'' because the Chinese are not ready to make the same concessions that Zhu offered in April. And a Chinese spokesman complained that Washington has ''set too high demands on **China,** asking **China** to do too much.''

One possible compromise could admit **China to the WTO** with the U.S. invoking an ''exception'' under Article 13 of the organization's charter. There is a precedent for this - Georgia was admitted under similar circumstances - which would permit Washington to withhold normal trading status from **China** unless Congress approves.

Congress is not likely to approve, however, given its protectionist mood and two recently released reports that indicate any trade deal would be to our disadvantage.

One issued by the American Textile Manufacturers Institute says it would cost the U.S. textile and apparel industries up to $12 billion and result in as many as 154,500 job losses. Another, issued by the independent International Trade Commission, says our $57 billion trade deficit with **China** would increase by as much as $586 million.

According to the commission's projections, **WTO** membership would boost **China's** economic output by 4 percent. Chinese exports would increase by 12 percent while imports would surge by as much as 14 percent. The U.S. economy, in contrast, would get only a ''minor'' lift, with exports to **China** increasing by $2.7 billion but imports from **China** increasing by $4.4 billion.

Federal Reserve Chairman Alan Greenspan argues that ''trade is not a zero-sum game''; the competition arising from freer trade spurs innovation, provides more job opportunities and helps boost living standards around the world. But he concedes it's a ''continuing battle'' to persuade our lawmakers to see it that way.

CORRECTION:
Foreign Affairs
Holger Jensen is international editor. E-mail: hjens£aol.com. His column also appears on the Internet at http: / / InsideDenver.com / jensen /

LANGUAGE: ENGLISH

LOAD-DATE: November 5, 1999

The Washington Post

11.3.99

U.S. Pushes China for Deal as WTO Date Looms

By John Burgess
Washington Post Staff Writer

Working in secret as a Nov. 30 deadline approaches, the White House is pressing China for a deal that would bring that country into the World Trade Organization and commit it to respecting the official rules of global commerce.

Officials said the U.S. side is close to putting a formal written proposal before the Chinese government, in hopes of forcing a positive response in stalled discussions. The two sides came within an inch of agreeing in April but broke off after President Clinton rejected a Chinese offer.

Clinton spoke on the phone with Chinese leader Jiang Zemin last month about reaching a deal, officials said, but to date China has offered only general support for the idea of reaching an agreement.

With relations between the two countries strained on a variety of matters including Taiwan, human rights and alleged theft of nuclear secrets, the White House is anxious to reach an accord on a divisive issue that seems solvable, trade.

The deadline facing the administration is the opening day of a giant meeting of the 130-plus members of the WTO in Seattle. The White House wants a deal by then, which would make China a full partner at the start of new negotiations between the world's trading partners to further loosen the rules of commerce.

The United States hopes to base an accord on the broad framework of the package China offered in April, but with some modifications. One line of speculation has it that the U.S. side might agree to give up something the Chinese offered in April, permission for foreign investors to own up to 51 percent of telecommunications service companies in China.

Still, it is unclear what changes to the April plan would be necessary to get China to agree. After the collapse of the April negotiations, Chinese Prime Minister Zhu Rongji drew criticism from conservatives in China for offering too much. NATO's bombing of the Chinese Embassy in Belgrade several weeks later further poisoned the atmosphere.

Based on the contacts up to now, the Chinese side has said it is the United States that must make concessions if there is to be a deal. "The Chinese leadership seems united about the fact that the United States is demanding too much," said one Chinese analyst in China.

China now rivals Japan in generating U.S. trade deficits; U.S. officials feel that getting the country into the Geneva-based WTO

See WTO, E3, Col. 1

11.5.99

The Washington Post

U.S. Readies New China Trade Offer

WTO, *From E1*

which oversees international trade and rules on disputes between trading partners, would help put ties on a more even footing.

For its part, China wants the stature of being a fully recognized member of the world trading community. It also wants a say in the talks that will begin in Seattle, stage one of global negotiations that could go on for years and bring new changes in the rules of trade.

To enter the WTO, it must offer a package of market-opening steps that is sweet enough to get the United States, the WTO's largest member, to endorse its entry. Under WTO rules, all other member countries would automatically get the same breaks.

In April, Zhu came to Washington offering a broad package that included cutting tariffs on U.S. farm products, giving new freedom to foreign insurance companies to operate and letting foreign investors own up to 51 percent of telecommunications services companies in China.

Coming at a time of Republican attacks on the White House over alleged theft of nuclear secrets by China, the deal was rejected by Clinton, after a debate within his administration, out of fear it would not be acceptable to Congress. Many officials there now regret letting the opportunity pass.

In recent weeks, China has ended the negotiations blackout that followed the Belgrade bombing and agreed to reopen the WTO issue. But it has baffled the U.S. side by making repeated statements of support for a deal while doing little in the way of follow-up.

A Chinese team came to Washington for one day of talks in late September, but other than that the sides appear not to have sat down face to face to discuss specifics.

A further complication is that for China and the United States to work together under the WTO framework, Congress must vote to give China permanent "normal trading relations." That means that China would receive the most favorable trading terms that the United States grants to other countries.

If China entered the WTO based on an agreement with the White House, and Congress then refused to grant the "NTR" status, China could legally deny all of its market access concessions to the United States. Other countries would continue to get them, however.

Cal Cohen of the Emergency Committee on American Trade, a group that promotes trade with China, said congressional backing was likely. "I still can say the support is broad and deep for a comprehensive deal that provides market access for ... American business and agriculture," he said. "... I hope the Chinese recognize that."

Many Chinese analysts say congressional approval is not a big issue for them. If Congress doesn't grant the NTR status, other countries will enjoy greater access to the Chinese market while the United States will be frozen out. So Washington will end up being pressured on that score, they say, not China.

John Pomfret of the Washington Post Foreign Service contributed to this report from Beijing. Staff writer Robert G. Kaiser contributed from Washington.

11.3.99

THE WALL STREET JOURNAL.

WEDNESDAY, NOVEMBER 3, 1999

POLITICS & POLICY

U.S., EU Coordinate on China WTO Bid

Washington Had Worried Continent Would Cut Weak Deal on Its Own

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

WASHINGTON—The U.S. and Europe, often at each other's throats in trade disputes, are coordinating their strategy to get a deal with Beijing on China's joining the World Trade Organization.

For months, U.S. officials have fretted that the European Union would cut a quick but weak deal with China and put pressure on the U.S. to agree to the same terms. But in recent weeks, the two economic powers have agreed that such moves would be counterproductive, and they are trying jointly to bring pressure on China to open its markets.

"We certainly have been comparing notes and strategy," said an EU official. "There has been a lot of coordination."

Last week, EU President Romano Prodi met with President Clinton in the White House and discussed WTO strategy, while the two sides' top trade negotiators conferred in Switzerland and Washington. Earlier last month, the European trade minister, Pascal Lamy, assured Clinton administration officials the EU would not cut a weak deal with China.

The agreement to work together on China is notable, because past efforts by the Clinton administration to enlist the EU in a joint effort to pressure another major trade irritant, Japan, have failed. Meanwhile, the U.S. and Europe have spent the past year bickering over trade issues ranging from biotechnology to bananas. Indeed, they are still wrangling over the agenda for the WTO meeting in Seattle this month.

U.S. trade officials say one reason for the change is that their old nemesis, former EU trade minister Sir Leon Brittan, has been succeeded by Mr. Lamy. Sir Leon had a contentious relationship with U.S. Trade Representative Charlene Barshefsky and was seen by U.S. officials as more concerned with outmaneuvering the U.S. than reaching an alliance to further joint goals.

Yesterday, Ms. Barshefsky said Clinton administration officials were still waiting to hear whether China wants a deal. "I think the Chinese will need to make the basic decision whether they want to move forward or whether they want to remain in something of a holding pattern," she told reporters after testifying before the Senate Banking Committee.

President Clinton is awaiting word from Chinese President Jiang Zemin about whether Beijing still wants a deal before the WTO ministerial meeting in Seattle. The Wall Street Journal reported last week that Mr. Clinton called Mr. Jiang on Oct. 16, asking for a resolution to the issue, which has been hanging since America mistakenly bombed the Chinese Embassy in Belgrade during the Kosovo conflict earlier this year. Officials say they expect to receive word from Mr. Jiang this week.

To get into the world trading body, China must reach separate agreements with its major individual trading partners. To that end, Beijing earlier this year cut deals with Japan and Australia and yesterday announced that it had reached an agreement with Chile.

WTO rules say China must offer all trading partners the same terms, and the U.S. has been pressing China more vigorously than any other nation to open its markets broadly. But U.S. negotiators have feared that Europe would try to curry favor with Beijing by agreeing to less stringent concessions, thereby making it harder for the U.S. to attain its goals.

But so far, the Europeans have been hanging tough, in part because the U.S. and Europe have many of the same issues with China. "Eighty percent of what we want is the same," one EU official said. That includes concessions to open China's market to foreign retail banks and insurance companies and concessions to lower tariffs on agriculture products.

The agreement to work together will be tested shortly. On Nov. 19, Messrs. Prodi and Lamy travel to Beijing as part of an EU trade delegation that will focus on China's WTO bid. If China is intent on closing a deal, U.S. officials figure they will be invited to China shortly afterward.

11.3.99

The New York Times

In Search of a Chinese Trade Deal

President Clinton's new efforts to salvage a trade deal with China enabling it to join the World Trade Organization come as welcome news. The initiative, begun with a phone call last month from Mr. Clinton to President Jiang Zemin, seeks to repair what administration officials now concede was a policy blunder in April when Washington rejected market-opening terms offered by Prime Minister Zhu Rongji on his visit to the United States. Worse yet, publication of the Chinese terms by the administration triggered opposition by opponents of Mr. Zhu's reforms inside China, making any deal more difficult to achieve.

If Mr. Clinton wins terms this time around as favorable as those he rejected in April, he will have performed a remarkable feat of recovery. More likely, China will offer less, and the administration will have to accept it as the price of getting a deal. It may then be difficult to sell the arrangement to Congress, where skepticism of Chinese intentions is running high just as the presidential campaign has begun heating up.

The April deal, according to the administration's own summary, would have propelled Chinese economic institutions toward market discipline. Mr. Zhu agreed to cut tariffs below those of most American trade partners, eliminate export subsidies, permit foreign investors to buy substantial shares in insurance and telecommunications companies, protect foreign investors and intellectual property rights and commit state-owned enterprises to make purchases on the basis of price and quality, thereby eliminating discrimination against foreign companies.

These terms were seen as concessions to the West. In fact, they would benefit the Chinese economy over all, though some parts of that economy might suffer. The United States economy is already open to Chinese products, and consumers reap the benefits of unfettered trade. But China's borders are often closed. Opening them would bring Chinese consumers attractive imports and force domestic companies to compete with foreign ones.

But beyond the narrow impact of trade, China's admission to the W.T.O. could have dramatic political impact. Mr. Zhu, like economic reformers throughout the third world, wants to use commitments to the W.T.O. to make it hard for domestic opponents to overturn reforms. Violations of China's commitments to the W.T.O. invite retaliation by China's trade partners.

The administration faces an obstacle to reaching a deal because of Congressional opposition and anxiety about foreign competition in the labor movement. Congress can scuttle the deal by refusing to relinquish its right under current United States laws to deny China trading rights that it would automatically enjoy as a member of the W.T.O.

The most vigorous opponents of China in Congress represent Southern textile and apparel industries that fear cheap imports. But recent studies show that these fears are exaggerated. Chinese exports to the United States would rise by a modest amount. But almost all would come at the expense of exports from other third-world countries rather than from American manufacturers and workers.

Mr. Clinton must also deal with a Chinese demand that the United States promise not to invoke "anti-dumping" rules to drive out low-price Chinese exports. If China won this demand, it might cause distress among a small number of American workers but would do low-income American consumers an enormous favor. The administration faces the challenge not only of reaching a good deal with China but of then selling it to Congress and to anxious workers.

11.3.99

FINANCIAL TIMES

China on the line

China's plan to curb imports and local output by foreign mobile phone manufacturers is more than just a setback for the companies concerned. It sends an ominous signal that political trends in the country may jeopardise a historic opportunity to transform its economy and relations with the rest of the world.

The decision precedes by barely a month the World Trade Organisation's ministerial conference in Seattle. The meeting has long been the target date for a deal on China's WTO entry, an event with huge implications for the country's domestic as well as external policies. Missing the deadline, after 13 years of talks, could sideline membership indefinitely, not least because the WTO may soon to be in the grips of a trade round.

China's discrimination on mobile telephones flagrantly defies world trade rules. Just possibly, it is a clumsy attempt to gain leverage in the WTO talks. Much more likely, the move shows economic hardliners in Beijing have regained the ascendancy over progressives eager to promote liberalisation and the international rule of law.

The latter have been on the defensive since Washington humiliated Zhu Rongji, China's reformist prime minister, in April by rejecting his WTO membership offer. US efforts to revive the talks have failed to clinch a deal, and hopes of agreement by Seattle are fading fast. The outlook beyond that is clouded by next year's US elections.

The mobile phones decision is a warning that, if the question of China's WTO membership remains unresolved, events may slip into reverse. The risks are further underlined by hints that Taiwan is considering reneging on market access pledges made during its membership talks. The outlook could get even worse if Beijing's opponents in Congress try to unstitch the international understanding that Taiwan cannot join the WTO before China.

China's WTO entry is essential to modernise its economy and strengthen its external relations, above all with the US. WTO membership needs to be on commercially realistic terms. But delays in agreeing those terms should not put the whole enterprise at risk.

The west, and particularly Washington, must seek to avoid that. It needs to have contingency plans against the increasingly likely prospect that no WTO deal is reached by Seattle. The aim should be to bolster China's reformists by continuing actively to engage its government and by keeping alive hopes of WTO entry. Failure to do so would be likely to have damaging consequences far beyond the field of trade.

EU, CHINA RESUME WTO ENTRY TALKS WITH STOCKTAKING EXERCISE

Date: October 29, 1999 - Inside US Trade -

A meeting this week between the European Union and China regarding Chinese entry into the World Trade Organization amounted to little more than stocktaking, according to EU sources. The assessment showed that the two sides are far apart on concessions regarding tariffs as well as key services sectors, they said.

In laying out their offer, Chinese officials emphasized that they have very little flexibility to offer more, sources said. The message from Chinese officials in essence was to consider the concessions China has put on the table instead of looking for a perfect deal, one official said.

The talks produced no progress on narrowing the differences between the two sides, but the Chinese officials agreed to report some of the EU's demands for more concessions back to Beijing, according to officials. For example, the EU is pressing to have internet and fixed satellite services included in the telecommunications offer, officials said.

The Chinese delegation was led by Vice Minister Long Yongtu, and the EU delegation was led by Hans Beseler, the director general for trade. The two sides did not agree on another meeting, but that is very likely, EU sources said.

It is not clear if a negotiating team will be attending the EU-China summit to be held in Bejing on Nov. 19, one EU official said. However, it is likely that Beseler would attend that meeting in any case, he said.

Neither side discussed whether to try to strike a deal before the Seattle ministerial, but focused instead on the substance of concessions, EU officials said.

The tariff offers China identified as current in the Oct. 26 & 27 meeting held in Geneva were higher than earlier offers presented months ago, another official said. But he said there had to be further talks to see if EU negotiators may have misunderstood earlier Chinese offers, or if the current offer represented a backtracking on the part of China.

In telecommunications, China's offer would not allow the majority ownership in certain sectors, such mobile services, an EU official said. The EU is also questioning China's insistence to funnel all international phone calls through three gateways controlled by Chinese dominant operators, another official said. The EU is questioning whether three gateways are sufficient for handling the phone calls for such a large country as China, he said.

But another EU official said the EU is pressing for the removal of the gateway arrangement altogether.

In addition, China refuses to offer majority ownership in life insurance as the EU has demanded, he said.

Other areas where the EU is looking for more concessions are distribution and banking, according to a Commission official.

U.S. business groups this week were lobbying to defeat a bill expected to pass in the House in the near future that would increase military cooperation between the U.S. and Taiwan. The groups are concerned that this would damage the U.S.-China relations to such an extent that WTO accession would be made harder to achieve than it is right now. Business representatives are also working to enlist senators to oppose a companion bill to ensure that it does not come to the Senate floor, sources said.

In the U.S., the Administration used this week's visit by Treasury Secretary Larry Summers to try to assess China's intentions regarding entry into the WTO. Summers emerged from his meetings saying he is convinced China wants to get into the WTO, and emphasized that this would require further concessions in such areas as financial services. Summers' delegation included Bob Novick, the general counsel of the Office of the U.S. Trade Representative.

Assistant U.S. Trade Representative Bob Cassidy last week told business representatives before the Summers visit that the U.S. was waiting to hear from China about its interest in pursuing WTO entry, informed sources said. He also disputed reports that China had presented to the U.S. a paper laying out about 15 areas where a U.S. summary of Chinese concessions released on April 8 overstated actual offers.

But as reported in the Wall Street Journal, President Clinton, under advice from Secretary of State Madeleine Albright and National Security Advisor Sandy Berger, this month phoned Chinese President Jiang Zemin in an effort to restart substantive negotiations on the WTO.

Albright and Berger seek the deal as a way of stabilizing the bilateral relationship, which is frayed over other national security and foreign policy disputes.

_source: Inside US Trade
_date: October 29, 1999
_issue: Vol. 17, No. 43
_title: EU, CHINA RESUME WTO ENTRY TALKS WITH STOCKTAKING EXERCISE

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64TH STORY of Level 1 printed in FULL format.

Financial Times (London)

October 28, 1999, Thursday LONDON EDITION 1

SECTION: WORLD NEWS: TRADE; Pg. 18

LENGTH: 414 words

HEADLINE: EU officials still see WTO hurdles for **China**
MEMBERSHIP NEW RULES TO BE SET:

BYLINE: By Frances Williams in Geneva

DATELINE: Geneva

BODY:

European Union officials yesterday said they saw little chance of a deal over Chinese membership of the World Trade Organisation before a crucial WTO ministerial meeting in the US next month, which is due to launch new trade liberalisation talks.

Karl Falkenberg, chief EU negotiator on **China,** said that he could not rule out a bilateral accord by the end of November but that "we need to be realistic".

"There are still problems that in my view require time to be settled," he said.

He was speaking in Geneva after the first working-level session between EU and Chinese negotiators since the two sides agreed to relaunch talks earlier this month.

China restarted negotiations with the US in September on its 13-year-old bid to join the WTO after a four-month freeze following Nato's accidental bombing of the Chinese embassy in Belgrade during the Kosovo conflict in May.

So far, however, these talks too have failed to achieve a breakthrough.

To join the WTO, **China** must complete bilateral market access negotiations with all its main trading partners as well as agree general terms of entry based on WTO rules.

Both sides have seen the WTO ministerial meeting in the US city of Seattle starting on November 30 as a target date for approval of Chinese membership.

New global trade negotiations are likely to set new rules and market- opening commitments, which would raise the bar to entry, and a deal with the US would be difficult next year in the midst of the presidential election campaign.

However, Mr Falkenberg said yesterday after one-and-a-half days of talks in Geneva that he saw a good basis for concluding **China's** accession talks "in the coming months" and that the EU was prepared to continue negotiating after the Seattle meeting.

Further bilateral talks between **China** and the EU are likely later this month, and an EU-**China** summit, scheduled for mid-November in Beijing, could also provide an opportunity to make progress.

Mr Falkenberg said that Brussels still had a long list of concerns relating to market access for agricultural products, industrial goods and services as well as to Beijing's adherence to international trading rules.

Though **China** had indicated it was prepared to reduce average industrial tariffs to around 10 per cent, proposed 35 per cent tariffs on cars were "still far too high".

The EU was also looking for more market access in telecommunications, financial services and distribution, Mr Falkenberg said.

LANGUAGE: ENGLISH

LOAD-DATE: October 28, 1999

4TH STORY of Level 1 printed in FULL format.

Agence France Presse

November 04, 1999 14:28 GMT

SECTION: Financial pages

LENGTH: 579 words

HEADLINE: **China** reins in foreign mobile-phone giants, boosts domestic makers

BYLINE: H. Asher Bolande

BODY:

SHANGHAI, Nov 4 (AFP) - **China** is rolling out aggressive policies to promote its infant mobile phone industry while reining in foreign market leaders Motorola, Nokia and Ericsson, the official Shanghai News reported Thursday.

The state earlier this year stopped approving new foreign investments in the sector, threatening the overseas giants' ability to keep their production in step with more than 50-percent annual growth in demand.

All foreign projects green-lighted by local governments since 1994 must now be re-submitted to the state for approval, raising the possibility of their cancellation, the report said.

China is concerned about the staggering 90-percent market share controlled by the "big three" overseas firms, the daily said, adding that Beijing had taken a "concerned and protective" stance toward nine domestic makers chosen by the State Planning Commission to champion local brands.

The official aim is to give the nine "a green light all the way down the road," it said.

To strengthen their technological and economic strength, the state has decided to allocate 400 million yuan (48.2 million dollars) in special funding raised through treasury bond issues, the report revealed.

The move follows the Ministry of Information Industry's (MII) September decision to dedicate 1.4 billion yuan (168.7 million dollars) of its 1999 mobile services sign-up fees to the purpose.

MII was already setting aside five percent of all sign-up fees for fixed-line phone services to develop the domestic mobile-phone industry.

A Shanghai telecoms official estimated that figure would represent about 10 billion yuan (1.2 billion dollars) a year.

Peter Lovelock, a **China** telecommunications researcher at Hong Kong University, said he found the blatant protectionist sentiment in the article surprising given ongoing negotiations on **China's** entry into the World Trade Organisation (WTO).

He predicted the article would seriously irritate WTO negotiators from the United States' side.

Washington has insisted Beijing must open up its restricted telecoms market to foreign competition as a condition for entry into the free-trade body, but the latter is insisting on more lenient "developing country" terms.

China has long been promoting domestic makers and taking opportunities to curb sales of foreign brands but typically through quieter measures, Lovelock said.

The new openness about protectionism in mobile telecoms "says that the MII isn't putting its normal mode of operation on hold because the WTO might be implemented," he said.

"I'm seeing the 'buy **China'** syndrome more and more broadly," he added.

The Shanghai News also said Beijing had vowed to crack down on foreign companies illegally importing foreign mobile phones or selling handsets produced for export on the domestic market.

London's **Financial Times** reported on Wednesday that Beijing planned to impose new production quotas and import restrictions to scale back foreign firms' market share.

But Peng Xiaofang, a director with MII's planning department, said the report was inaccurate, as the government only aimed to enforce existing limits.

China added 11 million mobile phone subscribers in January-September this year, bringing its total to 36 million, the Shanghai News said. The country is expected to overtake Japan as the world's second-largest market in coming months.

hab/sls

LANGUAGE: ENGLISH

LOAD-DATE: November 04, 1999

15TH STORY of Level 1 printed in FULL format.

EIU ViewsWire

November 3, 1999

LENGTH: 449 words

COUNTRY: **CHINA** (96%); **China**

HEADLINE: **China** Finance: Call to widen renminbi band

BODY:
COUNTRY BRIEFING

FROM **FINANCIAL TIMES**

BEIJING: An article in an authoritative Chinese magazine has suggested Beijing should widen the band in which the currency, the renminbi, is allowed to trade against the US dollar.

The article in the latest edition of the **China** Foreign Exchange magazine appears certain to rekindle a debate within policy circles in Beijing on whether **China** would benefit from a currency that reflects market forces more obviously than it does under the current tightly managed system.

"The floating range of the exchange rate should be widened to increase its elasticity," said the article by Dai Shihong.

China should "allow the renminbi to float in a wider band within predetermined limits and gradually let market demand and supply play a decisive role in determining the exchange rate", Mr Dai said.

The **China** Foreign Exchange magazine is published by the State Administration of Foreign Exchange, a body directly under the People's Bank of **China,** the central bank.

Its association with official bodies should not be taken as a guarantee that Beijing will introduce a wider band, but it is an indication that top officials are considering such a move.

The article did not say how wide the suggested band should be, nor did it predict whether such a relaxation would be likely to result in a depreciation or appreciation of the renminbi. It did, however, caution that one of the causes of the Asian financial crisis was that countries had exchange rates that were too rigidly managed.

Dai Xianglong, central bank governor, has pledged that the renminbi will not be devalued this year or next. He has used increasingly market-oriented justifications for his statements, saying that **China's** balance of payments surplus argued against the need for a devaluation.

China's exports rose 20.2% in September after climbing 17.8% a month earlier and 7.5% in July--showing a sharp recovery from a lacklustre performance in the first six months of the year.

The renminbi is convertible only for the trade of goods and services, but not for capital account transactions such as investment in stock markets. This means that the currency's value can be influenced relatively easily and is not subject to attack by speculators.

The idea of widening the renminbi trading band has been around for more than a year.

One argument generally forwarded to support the proposal is that it could discourage capital flight by introducing the possibility that the currency could appreciate over time.

SOURCE: **Financial Times**

LANGUAGE: ENGLISH

LOAD-DATE: November 05, 1999

27TH STORY of Level 1 printed in FULL format.

November 1, 1999

SECTION: News

LENGTH: 140 words

HEADLINE: **CHINA**- 7 Percent- Can Be Expected to Reach

BODY:

Ref.: **China Financial Times,** Page 1, November 01, 1999
CHINA, November 01, AsiaPort -- Financial Commission under the NPC (National People's Conference) held meeting to discuss the economic situation over the past 3 quarters. Reports from the State Planning Commission, Economic and Trade Commission, Ministry of Finance, CPB, State Tax Bureau were heard at the meeting.

Members believe that during the past 3 quarters, the national economy remained quick growth and the GDP was expected to grow 7 percent compared to last year.

Members also pointed out some problems. They urged expansion of domestic needs, implementation of stable currency policy, deep reform on fund-raising system, strengthening of macro-control and reducing the farmers' burden.

LANGUAGE: English

LOAD-DATE: November 1, 1999

80TH STORY of Level 1 printed in FULL format.

Financial Times (London)

October 27, 1999, Wednesday LONDON EDITION 1

SECTION: WORLD NEWS: ASIA-PACIFIC; Pg. 12

LENGTH: 407 words

HEADLINE: **China** needs spur of foreign competitors, says banker

BYLINE: By Peter Montagnon, Asia Editor, in London

DATELINE: London

BODY:

China should continue opening up its domestic banking system to foreign participation even if it does not succeed in joining the World Trade Organisation this year, the head of one of its four main commercial banks said.

Foreign banks could be an important channel for introducing competition, management skills and investment into **China's** financial sector, Wang Xuebing, president of the Bank of **China,** told the London School of Economics.

China could not wait until its own banks were strong enough to meet foreign competition before allowing participation but the process had to be gradual, he said.

Mr Wang said it now appeared unlikely that **China** would join the WTO this year, partly because of the US rejection of its previous market access proposals in April. **China's** desire to join was "very strong", although it had to be classified as a developing country, and its reform process would not change whatever happened, he said.

"Opening is the direction and competition is inevitable," he said of the Chinese banking sector. The transition to a more modern profit- oriented system was not complete but the task should be over within three to five years," he said. However, Mr Wang injected a note of caution on one recent development when he said he was urging the finance ministry to introduce tough regulation on the new asset management companies (AMCs) being set up by commercial banks, including the Bank of **China,** to handle non-performing loans. State enterprises should be forced to recognise debts which had been handed on to the AMCs, he said. Otherwise they would escape responsibility for their borrowings.

The AMCs needed protection against this "moral hazard" problem, while banks also needed to consider the conditions under which the loans were passed on to the AMCs so as to avoid a situation where they were simply making space for fresh problem loans to be added to their balance sheets. Among additional reforms, Mr Wang called for a refinement of the supervisory role of the People's Bank of **China** which he said sometimes confused its external supervisory responsibility with interference in the internal management of the banks under its care. Eventually the supervisory role should be hived off, leaving the central bank solely responsible for monetary policy.

Mergers of the big four state banks, which dominate the Chinese market, should also be encouraged to avoid "wasteful" competition.

LANGUAGE: ENGLISH

LOAD-DATE: October 27, 1999

Financial Times (London)

October 26, 1999, Tuesday LONDON EDITION 2

SECTION: WORLD NEWS: ASIA-PACIFIC; Pg. 18

LENGTH: 253 words

HEADLINE: **China** currency 'to remain stable'

BYLINE: By James Kynge in Beijing

DATELINE: Beijing

BODY:

Dai Xianglong, **China's** central bank governor, has said the national currency will remain stable for the rest of this year and in 2000.

"Based on the situation of **China's** economic development this year and next year, the exchange rate of the renminbi will remain stable," Mr Dai was quoted in state media as telling Larry Summers, the US Treasury secretary, at the weekend.

The Financial News, an official newspaper linked to the People's Bank of **China,** the central bank, repeated Mr Dai's statement that the value of the renminbi was determined by a managed floating exchange rate "based on market supply and demand" - an indication that the balance of payments still influences Beijing over renminbi devaluation.

Mr Dai has said in recent months that the renminbi would not be devalued but not until yesterday was he quoted as extending this undertaking until next year.

There is some basis for his confidence. **China's** foreign exchange reserves have risen $ 6.55bn (L3.94bn) since the end of 1998 to $ 151.5bn at the end of September. The reserves grew by $ 5.1bn in 1998.

* **China** is to strengthen disclosure requirements for listed companies as part of efforts to improve the much criticised regulatory environment of its stock markets and to protect the interests of portfolio investors.

Potential losses from unpaid bills and investments must be made public, and auditors' comments must not be deleted, according to guidelines issued by the **China** Securities Regulatory Commission (CSRC).

LANGUAGE: ENGLISH

LOAD-DATE: October 26, 1999

104TH STORY of Level 1 printed in FULL format.

Financial Times (London)

October 26, 1999, Tuesday LONDON EDITION 1

SECTION: WORLD NEWS: TRADE; Pg. 19

LENGTH: 510 words

HEADLINE: US, **China** plan market links

BYLINE: By Mark Suzman in Beijing

DATELINE: Beijing

BODY:

The US and **China** yesterday announced plans for closer co-operation in the development of Chinese financial markets but acknowledged that the broader issue of financial services reform remained an obstacle to securing a final deal on Beijing's bid to join the World Trade Organisation.

Larry Summers, US Treasury secretary, and Xiang Huaicheng, **China's** finance minister, said the two countries had agreed to launch a regular dialogue on financial sector development in **China,** including how to improve regulatory oversight, integrate capital markets and improve risk management.

However, while both sides recommitted themselves to securing agreement on **China's** WTO accession "at the earliest possible date", Mr Summers suggested that continued Chinese resistance to a gradual opening of its financial markets to foreign competition could jeopardise a deal. "Certainly there are issues that have to be resolved," he said.

The two men were speaking at the conclusion of the 12th **China**-US Joint Economic Committee in Beijing. The discussions followed a meeting on Sunday between Mr Summers and Zhu Rongji, the Chinese premier, after which US officials said they were more optimistic that an agreement on the WTO issue could still be reached before the launch of a new round of global trade talks in Seattle next month.

Mr Summers is the highest ranking US official to visit **China** since the White House rejected a proposed trade deal offered by Mr Zhu during a visit to Washington last April. US officials see the trip as part of a broader process of re-engaging **China** after that decision together with the accidental Nato bombing of the Chinese embassy in Belgrade and renewed tensions over Taiwan soured bilateral relations.

In a joint statement, the two countries said they planned to consolidate and expand their co-operation on international economic and financial affairs. "Notwithstanding all the turns and twists which have occurred, relations between the US and **China** are on the whole moving forward," Mr Xiang said.

The statement also stressed **China's** continued commitment to reform of its state-owned enterprises and announced that a special joint panel of central bank officials, national securities markets regulators and bank officials would be set up to discuss further financial modernisation.

However, the two sides appeared to make little progress in resolving the dispute over how rapidly **China** should be required to open its financial markets to foreign competition as part of any WTO deal.

Mr Summers insisted that the US was not urging any drastic reforms that could destabilise the Chinese economy but was calling for a "prudent, step by step, balanced" opening of the sector to outside competition.

However, Mr Xiang would only repeat previous Chinese demands that accession to the WTO should be based on the principle that "its rights and obligations must be balanced". He said that resolving disagreements on specific issues such as financial services reform should be left in the hands of trade negotiators.

LANGUAGE: ENGLISH

LOAD-DATE: October 26, 1999

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

FOLDER TITLE:
[China WTO Documents] [2]

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