Case Number: 2010-1024-F

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Folder Title: [China WTO Documents] [3]				
Staff Office-Individual: National Economic Council-Lee, Malcolm				
Original OA/ID Number: CF 1177				
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December 2, 1999

The Honorable William J. Clinton
The White House
Washington, DC

Dear President Clinton:

We are writing to you about the issue of awarding China permanent "most-favored nation" trading status in conjunction with China's accession to the World Trade Organization.. Rather than appease the Chinese government in this way, now is a crucial time to influence them.

Our concern – as a Chinese democracy advocate and U.S. Congressmen – is that once the U.S. accords China permanent most-favored-nation trading status, the U.S. will lose the best leverage we have to influence China to protect human rights, enforce fair trade regulations, ensure international security, expand worker rights and stop the use of forced labor.

Once a member of the WTO, with all the privileges accorded to members, China can be expected to use the WTO process to thwart attempts to protect and extend worker rights everywhere in the world. This will halt efforts of other countries and non-governmental organizations to expand worker rights. China's own domestic record of worker rights and human rights abuses provides ample reason to predict that they will use their WTO negotiating and voting privileges to suppress those rights. It is a fact that China maintains a forced labor system known as Laogai. What could be expected of China when the topic of forced labor is raised by another, likely smaller member of the WTO? How would the constellation of multinational corporate forces, which view China as both a lucrative export platform and potential consumer market, align themselves if China defined the "race to the bottom" in terms of wages, workplace safety conditions and forced labor? How then would other countries, which must themselves confront pressures from those multinational corporations, align themselves at the WTO?

Of course, we could naively assume that China would exert a positive influence on the WTO, and that the WTO would exert a positive influence on China. But to do so would require that we ignore the recent history of China-U.S. agreements. That history is marked by Chinese promises to improve worker rights, followed by their reneging on those promises, and finished by U.S. failure to use the leverage of access to the U.S. market to enforce those bilateral agreements. That is precisely the sequence of the 1992 Memorandum of Understanding between the United States and China on prison labor, when China agreed to take measures to halt the export of products made with forced labor. According to a recent U.S. State Department report, "In all cases [of forced labor identified by U.S. Customs], the [Chinese] Ministry of Justice refused the request, ignored it, or simply denied the allegations without further elaboration."

The U.S. government ought to be able to conclude from this that the current Chinese regime is completely incapable of reform on its own. In fact, China's foreign policy has actively sought to unify the European Community against the U.S. These are not good conditions for a strategic partnership and permanent MFN . But if ever there were conditions for improving worker rights in China, they exist now, before China receives permanent MFN. That is because the U.S. buys about 35 percent of China's exports, making it a consumer with a lot of clout. As you know, the U.S. federal government frequently uses its clout as a large consumer to influence the marketplace and benefit taxpayers, and it is the use of such market power that led the U.S. automakers, followed by the world's, to incorporate airbag technology in passenger cars. The U.S. has shamefully allowed China to break promises of worker rights reforms without losing access to the U.S. market as a penalty. But once China is given permanent Most-Favored-Nation status, the U.S. will not even be able to condition access to the U.S. market on the achievement of gains in worker rights. China will be free to attract multinational capital on the promise of super low wages, medieval workplace conditions, and prison labor.

By giving China permanent MFN status, the U.S. will be giving up the best and only real leverage it has to influence China to enact worker rights and protections. This will send an unmistakable signal to Chinese dissidents, in China and the U.S., that worker rights and human rights in China are permanent afterthoughts to commercial considerations. Once awarded permanent MFN status, the world's largest systematic abuser of human and worker rights will be able to use its coerced comparative advantage among the world of free-trading nations. Is that what globalization is to finally and undeniably mean?

We ask that China not be given permanent MFN status, and that instead, Congress continue to review China's trade status on an annual basis. We believe that that is perfectly legal and consistent with U.S. WTO obligations. We look forward to a response.

Sincerely,

Wei Jingsheng

Dennis J. Kucinich
Member of U.S. Congress

Christopher H. Smith
Member of U.S. Congress

United States Department of State

Washington, D.C. 20520

BUREAU OF EAST ASIAN & PACIFIC AFFAIRS (EAP)

OFFICE OF CHINESE & MONGOLIAN AFFAIRS (CM)

FAX COVER SHEET

DATE: 10 Dec 1999

TO: Malcolm Lee

FAX:

PHONE:

FROM: EAP/CM: Mark Kaumans

FAX: 202-647-6820

PHONE: 202-647-6798

NUMBER OF PAGES INCLUDING COVER SHEET: 3

REMARKS:

Per voicemail.

Hope this helps.

Mark

UNCLASSIFIED

China's WTO Accession
Possible Avenues of Technical and Enforcement Assistance

- The Commercial Law Development Program: Run out of the General Counsel's Office at the Commerce department, since 1992 the CLDP has provided WTO accession training and assistance for nations of eastern Europe, the former Soviet Union, and elsewhere. Funding, in some cases, has come from the Freedom Support Act (State), or AID. CLDP specializes in sending recently retired staff of USG agencies to provide long-term WTO implementation guidance and assistance in foreign trade and other ministries.

- USAID: AID has provided funding for training to aspiring WTO members of the former Soviet Union, as part of their greater efforts to support economic restructuring and transformation. Assistance has included sending consultants and accountants (e.g. Arthur Andersen) for long-term technical assistance.

  Note: There are several legal restrictions on foreign aid that may apply to China: Section 502B of the Foreign Assistance Act of 1961, as amended (P.L. 87-195) forbids certain assistance to countries that are gross violators of human rights. Other restrictions target countries that engage in a consistent pattern of gross violations of internationally recognized human rights (sec. 116, Foreign Assistance Act (FAA); provide assistance to state sponsors of terrorism (sec. 620G FAA); provide lethal military equipment to state sponsors of terrorism (sec. 620 FAA, sec. 551 of Foreign Operations Appropriations Act FY 99 and previous); deliver unsafeguarded nuclear enrichment equipment, materials or technology to another country (sec. 101 of Arms Export Control Act, as amended by sec. 826 of the Nuclear Proliferation Prevention Act of 1994). The USG has not taken a position on any of these laws' applicability to China. Consideration of aid to China must take these issues into account.

- WTO Secretariat: In the case of the Mongolian WTO accession, the U.S. was less involved directly. The WTO Secretariat provided implementation training assistance. It may be possible to support enhanced assistance under WTO auspices.

- Department of State: State's Bureau of International Narcotics and Law Enforcement Affairs (INL) provides law enforcement training to many nations, including China. Training in intellectual property rights enforcement and customs enforcement has been included. While these programs are not tied to WTO accession per se, the courses offered are directly relevant to the WTO commitments China has made.

In the past State has obtained "notwithstanding" language to allow expenditure of Economic Support Fund (ESF) monies on democracy building/rule of law. It may be possible for such a program to include technical assistance to support China's legal framework for WTO implementation.

- Integrated Framework: This grouping of international organizations (including WTO, World Bank, IMF, UNDP, UNCTAD and the International Trade Center) has provided some technical assistance to the least developed nations after their accession to the WTO, and aims to increase its WTO focus. [There is some criticism of the effectiveness of this grouping.]

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*** ACTIVITY REPORT ***
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Goldman Sachs

GS Global Economics Website
Economics Research from the GS Financial Workbench[SM] at https://www.gs.com

Global Economics Weekly

Malcom
-Carl

China – Welcome to the World (Trade Organisation)

Summary

- China and the US have concluded the last great economic deal of the second millennium, paving the way for China's accession to the WTO next year. We do not expect this to be stopped by the US Congress, so China should become a WTO member around the middle of 2000. This will open large swathes of the economy to market forces for the first time, and will give the reform process a strong boost.

- Some analysts have argued that China may not be able to cope with this revolutionary change. They fear that market opening will lead to recession, deflation and devaluation, eventually spelling the end of reform itself. We disagree. Although the changes triggered by WTO accession will be challenging, China's policymakers have shown in the last few years that they should be able to handle them.

- Far from leading to recession and deflation, we see market opening as the essential prelude to faster economic growth and a more efficient economy. While imports may rise by $115 billion a year by 2005 as a result of the deal, the adverse effect on the basic balance of payments will be offset by higher exports ($50 billion) and an increase in FDI ($50 billion).

- With the economy and the balance of payments handling the change well, we do not share fears that the WTO deal will lead to an early devaluation for the renminbi. However, we continue to expect that a more flexible "managed float" will be introduced in an orderly fashion next year. This will not be disruptive to the Hong Kong peg or the rest of Asia.

- The US current account is likely to benefit from the deal, since the potential for additional US exports to China (especially in technology, agriculture and services) looks larger than the likely increase in imports from China. The deal should therefore help to narrow the US/China trade imbalance, which has

Also in this Issue

US: FOMC Statement Indicates More Anxiety About the Labor Squeeze

Yesterday's statement indicates uncertainty whether tightening is finished. We expect additional restraint from next spring to foster more neutral financial conditions.

US: How Far Can the Bond Market Do the Fed's Dirty Work?

A more forward-looking bond market has stabilised the real economy in recent years, but going forward policy may need to become more proactive again to achieve a given change in financial conditions.

Euroland: Few Risks to Non-inflationary Growth

The three largest Euroland economies are likely to enjoy stronger growth without serious inflation pressures next year. The ECB should be able to leave rates unchanged for an extended period.

Japan: Latest Economic Package Much as Expected

The size and nature of the latest package are well in line with expectations. It should help prevent a relapse of the economy as the effects of earlier packages wear off.

Non-Japan Asia: More Good News to Come for the New Millennium?

After a remarkably rapid recovery in 1999, the non-Japan Asia economies should be able to deliver more good news in the new millennium, with a hard landing in the US the biggest risk to the region's prospects.

Brazil: Fiscal Effort Satisfactory but Structural Reform Lagging

Performance under the stabilization plan has been satisfactory, and economic prospects are improving. But fiscal and external imbalances remain large, and progress on structural reform has been disappointing.

Mexico: Looking Beyond The 2000 Budget

The 2000 budget is consistent with achieving the government's growth and inflation objectives, but it highlights the crucial importance of tax reform and strengthening of the banking system.

Gavyn Davies, Martin Brookes, Fred Hu, Stephen Potter, John Youngdahl
This publication draws on the work of the entire Economic Research Group
New Series Issue No: 99/11
17th November 1999

Important disclosures appear at the end of this document.

United States Department of State

Washington, D.C. 20520

BUREAU OF EAST ASIAN & PACIFIC AFFAIRS (EAP)

OFFICE OF CHINESE & MONGOLIAN AFFAIRS (CM)

FAX COVER SHEET

DATE: 6 NOV 99

OPTIONAL FORM 99 (7-90)

TO:

FAX TRANSMITTAL | # of pages ▸

To Malcolm Lee	From Mark Kornans
Dept./Agency NEC/Asia	Phone # 6476798
Fax # 456-9290	Fax # 647 6820

NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

FAX:

PHONE:

FROM: EAP/CM: Mark Kornans

FAX: 202-647-6820

PHONE: 202-647-6798

NUMBER OF PAGES INCLUDING COVER SHEET: 4

REMARKS:

Goldberg's paper

Mark

UNCLASSIFIED

Interagency Meeting on China/Chinese Taipei WTO Accession

Overview of China accession process - (contingent on China's completion of all bilats) When will the working party report and protocol be ready? What is role of China's National People's Congress? What does China have left to do in terms of domestic legal regulations? Does the U.S. have any leverage in making sure that Chinese laws match WTO commitments?

U.S. role in working with China on reconciliation of WTO commitments with PRC domestic legislation: funding and personnel. Are we prepared to find money and obligate personnel for a long-term stay in China? Any signals from the Chinese that they might welcome such assistance? (Zhang Yuqing, director-general of MOFTEC's Treaty and Law Department told Joe Onek and Phoebe Yang that he had just 8 staff members to handle WTO-related drafting.) Germans and Japanese have already offered assistance; possible that OECD will do likewise.

Dealing with China on accession - does USG engage China in a general and ongoing discussion on our overall strategy re accession, Taiwan, PNTR or try to find a proxy? WTO Secretariat might play a useful role.

Permanent NTR: Congressional bill - When do we take a bill to the Congress? Who drafts? What provisions can we accept as part of the bill without its becoming conditional and thus being unable to extend on an unconditional basis? Developing a comprehensive strategy for dealing with Congresspersons and Congress staff; USG interaction with supporters of PNTR. Relationship of the bilateral trade agreement and PNTR - what exactly do we gain - or lose - if we do not have PNTR? Should not be saying we won't get benefits of agreement - may not get full benefits of agreement, however. PNTR was one of the three key issues for China in the WTO endgame (along with end to discriminatory treatment and loosening of export controls).

Alternative to annual NTR -- Do we have to find an alternative vehicle for the Congress and other interest groups to vent on China?

Dealing with the losers/labor and environmentalists - there will be losers as a result of any WTO agreement, including textiles. Need a strategy for dealing with their complaints that the agreement did not extend enough protections. Also Seattle demonstrated that there are a number of constituencies which are prepared to lobby their cases aggressively.

China at Seattle -Shi Guangsheng issued what amounted to a clarion call for the developing countries (strengthening coordination among developing countries) and statement that new round should focus on issues related to trade and not those unrelated to functions of WTO, like labor standards. Those concerned about China's accession may well highlight the unhelpful role China might play as a WTO member.

PNTR Book - How different will it be from the annual NTR book? Who drafts? When should it be sent to the Hill? What more prominent public play should there be? Should we, for example, create a website for China's accession?

Article XIII exception - If we do not have PNTR, U.S. will have to take exception before General Council gets final report/ protocol. Are we prepared to take an exception? China too can take an Article XIII in terms of dealing with the U.S. Any indication China may be preparing to do so?

Monitoring the Agricultural MOU. Need to ensure that over the next four-to-six months there is real movement forward on exports to China of wheat, citrus, beef. How best to reinforce importance of ag community's to PNTR?

Taiwan accession to WTO: Timing of Taiwan's final working party meeting and consideration of accession by the General Council. How best to manage near simultaneous accessions. Assuring that Beijing, through its proxies will not block Taiwan accession. Taiwan Article XIII exception? Understand that Taiwan has already asked USTR for information on the Article XIII non-application process. Note: Lee Tenghui speech on November 29 - if China shows enough goodwill and provides sincere responses to Taiwan overtures, Taipei would be willing to review cross-strait policy to conform to WTO obligations. (unclear what is Taiwan prepared to do.) Offer predicated on July 9 "special state-to-state" concept.

Dealing with security concerns - security provision of WTO allows a cp to exclude another cp from various sectors of its economy; can a cp allow all cps but one to have majority ownership in a sector, e.g. telecom? Will

Taiwan, e.g., seek to use security concerns to exclude application of WTO to China?

Melissa G. Green
12/13/99 10:46:51 AM

Record Type: Record

To: Malcolm R. Lee/OPD/EOP@EOP, Timothy E. Punke/OPD/EOP@EOP

cc:
Subject: US-China Meeting, 2pm Tuesday

---------------------- Forwarded by Melissa G. Green/OPD/EOP on 12/13/99 10:46 AM ---------------------------

Juliana C. Chen
12/13/99 10:46:18 AM

Record Type: Record

To: Melissa G. Green/OPD/EOP@EOP

cc:
Subject: US-China Meeting, 2pm Tuesday

from jay and joe ratner

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Jackson T. Dunn
12/13/99 10:19:06 AM

Record Type: Record

To: Juliana C. Chen/OPD/EOP@EOP

cc:
Subject: US-China Meeting, 2pm Tuesday

This meeting tomorrow at 2 pm in the Ward Room is structured to be an information discussion of the Administration's outreach efforts concerning votes and activity related to the US-China Trade Agreement. The following individuals will be invited:

Howard Paster
Pat Griffin
Larry Stein

Mike Levy
Tom Nides
David Johnson
Ron Klain
David Dreyer
John Hilley
Joe O'Neill
Mike Berman
Ira Shapiro

Juliana C. Chen
12/13/99 08:35:26 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: FYI today's Trade Issues mtg moved to Monday at 3:00

Please be available for prep starting around 2:00. Thanks

Message Sent To:

Timothy E. Punke/OPD/EOP@EOP
Malcolm R. Lee/OPD/EOP@EOP
D Holly Hammonds/OPD/EOP@EOP
Matthew P. Schaefer/NSC/EOP@EOP
John D. Duncan Jr/NSC/EOP@EOP

Juliana C. Chen
12/13/99 10:48:15 AM

Record Type: Record

To: Timothy E. Punke/OPD/EOP@EOP, Malcolm R. Lee/OPD/EOP@EOP

cc:
Subject: trade associations mtg

GS will be meeting with trade association reps with Podesta and Ricchetti tomorrow at 5:00 PM to talk China WTO.

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

ID# 404399
PAGE 1

DATE RECEIVED:

NAME OF CORRESPONDENT: THE HONORABLE LARRY COMBEST

SUBJECT: EXPRESSES CONCERN REGARDING THE IMPLEMENTATION OF REMEDIES TO ADDRESS THE THREAT OF SERIOUS INJURY TO OUR DOMESTIC SHEEP INDUSTRY THAT HAS RESULTED FROM THE INCREASED QUANTITIES OF LAMB MEAT BEING IMPORTED INTO THE U.S.

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION: ACTION CODE	ACTION: DATE YY/MM/DD	DISPOSITION: TYPE RESP	DISPOSITION: C D	DISPOSITION: COMPLETED YY/MM/DD
LEGISLATIVE AFFAIRS	LARRY STEIN	ORG	1999/12/06			
ACTION COMMENTS						
USTR			/ /			/ /
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ACTION COMMENTS:						

COMMENTS

ADDITIONAL CORRESPONDENTS: 12 **MEDIA:** LETTER **INDIVIDUAL CODES:**

REPORT CODES: **USER CODES:**

cc: Malcolm Lee, Commerce

FYI
Malcolm Lee

ACTION CODES:
A - APPROPRIATE ACTION
C - COMMENT/RECOMMENDETION
D - DRAFT RESPONSE
F - FURNISH FACT SHEET
I - INFO COPY/NO ACT NECCESSARY
R - DIRECT REPLY W/ COPY
S - FOR SIGNATURE

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C - COMPLETED
S - SUSPENDED

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TYPE RESP = INITIALS OF SIGNER
CODE = A
COMPLETED = DATE OF OUTGOING

REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OEOB) EXT-62590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

Congress of the United States

Washington, DC 20515

November 30, 1999

404399

The President
The White House
Washington, DC 20500

Dear Mr. President:

We are writing to express our concerns regarding the implementation of remedies to address the threat of serious injury to our domestic sheep industry that has resulted from the increased quantities of lamb meat being imported into the United States. As you know, after a lengthy investigation by the U.S. International Trade Commission the Commissioners recommended various remedial actions. On July 7, your administration announced a combination of import relief and domestic assistance for the U.S. lamb industry lasting three years in response to the recent surge in lamb meat imports. To date, we have seen no comprehensive plan by your administration to implement the promise of domestic assistance. In addition, various proposals that have come to our attention raise serious concerns.

We would first like to express our concerns regarding proposals that would simply reprogram funds that were already available to the sheep industry before the advent of recent import surges that the ITC has determined are a new threat to the industry. Participation in existing USDA programs at previously existing funding levels by our sheep industry has not prevented the threat of serious injury currently experienced by our lamb industry. Therefore, to reprogram existing funds already dedicated to our sheep industry will do nothing to provide relief. To provide real relief, any programmatic and policy options should represent new ideas using additional resources consistent with your $100 million proposal and in line with budgetary constraints.

We would request that you examine all existing authority to fully explore all available remedies. We would specifically request that you examine marketing authorities especially the Sheep Promotion, Research, and Information Act of 1994 (7 U.S.C. 7101-7111) and the National Sheep Industry Improvement Center. Since some authorities contain funds that were already available to the sheep industry before the introduction of the more recent threat of surging imports, we would reiterate that you must examine these authorities with the goal of providing additional remedies.

We would also request that after examining all available authorities, you provide us a detailed plan with respect to recommendations to remedy the threat of serious injury to our domestic sheep industry. As always, we stand ready to assist you in the development of such a plan and would appreciate the opportunity to provide feedback/input in its development. This plan should provide both immediate relief and a long-term strategy for the development of a stable sheep industry. You should consider all creative solutions.

PRINTED ON RECYCLED PAPER

Without an effective response to the threat of serious injury currently facing our domestic lamb industry, we will not only see a negative effect on our domestic sheep industry, but also on the packer and breaker segments of the industry. We appreciate the consideration of our requests and look forward to your response.

Sincerely,

The Honorable Larry Combest
Member of Congress

The Honorable Pete V. Domenici
U.S. Senator

The Honorable Joe Skeen
Member of Congress

The Honorable Conrad Burns
U.S. Senator

The Honorable Charles W. Stenholm
Member of Congress

The Honorable Larry E. Craig
U.S. Senator

The Honorable Henry Bonilla
Member of Congress

The Honorable Michael B. Enzi,
U.S. Senator

The Honorable Lamar S. Smith
Member of Congress

The Honorable Kay Bailey Hutchison
U.S. Senator

The Honorable Ben Nighthorse Campbell
U.S. Senator

The Honorable Mike Crapo
U.S. Senator

The Honorable Jeff Bingaman
U.S. Senator

REMAINING STEPS IN CHINA'S WTO ACCESSION PROCESS

- China must conclude bilateral market access negotiations with each of the WTO Members participating in its accession working party. The EU, Brazil, Argentina and Mexico are among those WTO members still engaged in bilateral negotiations. China in the last two weeks has concluded bilateral agreements with Canada, Cuba and Venezuela.

- Based on market access schedules for industrial goods, agriculture and services resulting from each bilateral agreement, the WTO Secretariat prepares consolidated schedules that include the best deal that China gave to any WTO member and circulates them to Working Party participants for final verification.

- At the same time, Working Party participants and China will be negotiating remaining provisions of the Protocol and the Working Party Report and completing legal drafting. China's commitments in the Protocol and Working Party Report are legally enforceable through WTO dispute settlement. The Working Party Report also includes provisions analogous to Congressional Committee Report language. These provisions give context to China's commitments and reflect WTO Members' understandings and commentary on those commitments.

- China's accession Working Party reviews the entire package and sends the accession package forward together with a recommendation on action to the WTO General Council. The decision to forward a recommendation on accession is by consensus of all participants in the Working Party.

- At its next meeting after receiving a recommendation from the Working Party, the WTO General Council decides whether to invite China to become a WTO member based on the terms and conditions that the Working Party participants agreed with China. (A General Council meeting can be held with as little as 2 weeks notice.) Normally, the decision on acceptance of a protocol package is by consensus, but any Member may ask for a vote. The decision must then be agreed by 2/3 of the WTO Members (at this time China would need 90 votes).

- The General Council decision is the last formal act on the part of the WTO before accession. China must then complete all necessary domestic procedures required to accept and implement those provisions of the WTO required upon the date of accession.

- After completing its necessary domestic procedures for accepting and implementing the WTO Agreement, China would file its notice of acceptance of the WTO with the Secretariat. China becomes a WTO member 30 days after filing its acceptance.