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Message:**IMPORTANT CONFIDENTIALITY NOTICE**

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National Pork
Producers Council

newsrelease

For Immediate Release
November 16, 1999

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NPPC HAILS CHINA AGREEMENT - CALLS ON CONGRESS TO GRANT CHINA NTR

The U.S. - China trade agreement "has the potential, if fully and fairly implemented, to become the single greatest export opportunity for American pork producers," National Pork Producers Council (NPPC) President John McNutt said today.

"Most analysts expect pork demand in China to increase by 6 to 7 percent per year," McNutt said. "But even if it grew by only 5 percent a year, China's incremental increase in pork consumption would be three times greater than the 529,000 metric tons of pork exported by the United States in 1998."

Previously, China blocked U.S. pork imports through a system of tariffs as high as 43 percent, restrictive import licensing and distribution practices, and complicated and arbitrary sanitary requirements.

Under the terms of the pact, which will clear the way for U.S. support of China's entry into the World Trade Organization (WTO), China will accept pork from any Food Safety and Inspection Service (FSIS) approved packing plant, phase out its restrictive import and distribution procedures, and lower tariffs.

Tariffs on frozen pork variety meats (such as stomachs, intestines, and hearts - the predominant product currently demanded by Chinese importers) and frozen pork muscle meats, will be phased down to 12 percent. Tariffs on frozen pork carcasses and fresh and processed pork products will be set at 20 percent. Tariffs will be lowered from 20 percent to 12 percent in equal increments on the frozen products over a four-year period from the time China becomes a WTO member.

"McNutt noted that the substantial concessions China made would not have been possible without the stellar work of the U.S. Trade Representative (USTR) Ambassador Charlene Barshefsky, USTR's Special Ambassador for Agriculture Peter Scher and U.S. Department of Agriculture Secretary Dan Glickman and their respective staff members.

McNutt said now it is up to Congress to grant China permanent Normal Trade Relations (NTR) status, so that China can join the WTO. All but six nations already have permanent NTR status and more than 100 nations receive preferential U.S. tariff treatment more favorable than NTR.

He said NPPC would be working in concert with other agriculture groups to ensure a positive vote in Congress for permanent NTR at the earliest opportunity.

The National Pork Producers Council is a national association representing pork producers in 44 affiliated states who annually generate approximately \$11 billion in farm gate sales, \$64 billion in economic activity and employ 600,000 Americans from the farm through processing.

November 16, 1999

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AGRICULTURE TRADE COALITION HAILS CHINA - US AGREEMENT AS GOOD FOR AMERICA

Members of the Agriculture Coalition for U.S.- China Trade today hailed the U.S. - China trade agreement as a momentous step forward for America's farmers and pledged to immediately begin the process of garnering Congressional support for granting China permanent Normal Trade Relations (NTR).

"From pork producers to grain farmers, this agreement is the tonic American agriculture has desperately needed," said John McNutt, president of the National Pork Producers Council (NPPC). "Once China is a WTO member, American producers will reap the benefits of lowered tariffs and export opportunities created by a more open market."

"China represents the most important growth market for our farmer-owners and American agriculture in the 21st Century," said H.D. "Harry" Cleberg, president and chief executive officer of Farmland Industries, Inc. "China, as home to one of every five people in the world, is a logical partner for expanding our food and agricultural markets," Cleberg added.

The U.S.-China WTO agreement covers all agricultural products, all industrial goods, and all service areas.

On U.S. priority agriculture products, tariffs will be reduced from an overall average of 31.5 percent to 14.5 percent by January 2004, at the latest. China will expand access for of bulk agriculture commodities, on products including corn, cotton, wheat, rice, barely, and soybean oil. China will also eliminate export subsidies and for the first time will permit private trade (trade between private parties) in agriculture.

McNutt said that China had agreed to lower its tariffs on U.S. pork from a high of 43 percent to just 12 percent after it becomes a WTO member. Also, China agreed to phase out its restrictive import and distribution procedures and cut domestic subsidies.

"Most analysts expect pork demand in China to increase by 6 to 7 percent per year," McNutt said. "But even if it grew by only 5 percent a year, China's incremental increase in pork consumption would be three times greater than the 529,000 metric tons of pork exported by the United States in 1998."

All but six nations already have permanent NTR status and more than 100 nations receive preferential U.S. tariff treatment more favorable than NTR.

The Agriculture Coalition for U.S.- China Trade is an organization of 63 agriculture-related groups dedicated to ensuring open trade with China. NPPC and Farmland Industries co-chair the Coalition.

THE TRADE DEFICIT WITH CHINA

Revoking China's normal trading status will hurt U.S. exporters - not close the trade deficit.

- Building a wall of protection around the United States by revoking NTR could provoke Chinese retaliation that would put at risk the 400,000 high-paying American jobs supported by exports to China.
- China has been one of the fastest growing markets for U.S. exports. China is currently our fourth largest goods trading partner with more than \$85 billion in total goods trade during 1998.
- China is a major customer for key U.S. products. In 1998, China purchased 32 percent of all U.S. fertilizer exports and 21 percent of U.S. steam boiler exports. China also purchased \$3.6 billion of civilian aircraft.
- Since every other major trading partner extends normal trade status to China, revoking normal trade relations would give Japanese and European competitors a competitive edge in developing Chinese markets, jeopardizing billions of dollars in future U.S. exports.
- Even if China did not retaliate, revoking NTR would put at risk the huge volume of U.S. exports that are purchased by Chinese exporters as inputs - such as cotton and plastics - that are reexported to the U.S. as finished goods, and the many U.S. exports that depend on inexpensive parts imported from China - such as pumps and electric circuits.

The rapid growth in imports from China has displaced imports from other developing countries - not U.S. domestic production. Some of the increase in the deficit with China represents the shifting sourcing to China of low-skilled labor-intensive consumer imports (e.g. toys, clothing, some consumer electronics) from other countries in Asia where wages have risen relative to China.

- The U.S. goods deficit with China was \$56.9 billion in 1998. It has increased from 19 percent of the overall U.S. goods trade deficit in 1991 to 24 percent in 1998. The deficit reflects China's specialization in inexpensive, mass market consumer goods. Low value-added goods such as toys, sporting goods, plastic tableware, apparel, footwear and low-end consumer electronics account for nearly 70 percent of U.S. imports from China. China runs bilateral surpluses with Japan and Europe for the same reason.
- As China's share of such U.S. imports has risen, that of other Asian countries has fallen. For example, between 1989 and 1998, the share of U.S. imports from China rose significantly and the share from other Asian countries (Hong Kong, Taiwan, Korea, and Japan in this example) fell sharply:
 - **Footwear** - China from 9% to 58% of U.S. imports; other Asia from 51% to 3%;
 - **Toys and Sporting Goods** - China from 22% to 59%; other Asia from 58% to 22%;
 - **Plastic Tableware** - China from 11% to 52%; other Asia from 61% to 21%.
- In 1999, because of the economic difficulties in Asia outside of China, the U.S. goods trade deficit will sharply increase with the rest of Asia, much more than with China itself.

China has accounted for a roughly constant share of the United States' overall trade deficit since 1991.

- As China grows, the deficit should narrow. As their incomes have risen, importers in other Asian markets have increasingly demanded high-quality U.S. products. As production has become more capital intensive, investors have imported more high quality U.S. capital equipment.
- Raising tariffs on Chinese imports is like squeezing a balloon: it would cause a surge in similar imports from other developing countries and a corresponding deterioration in our trade balances with them.

June 24, 1999

ML -
As of last
night - - -
(POTUS Guidance)

Malcolm

China Guidance
December 7, 1999

Q: Do you plan to press forward with permanent NTR for China in light of the failure in Seattle?

A:

- The Administration plans an all out aggressive effort to pass permanent NTR for China this year.
- WTO accession for China means one-way, market opening concessions by China to the U.S. This means more exports and expanded opportunities for American farmers, workers and businesses.
- The agreement will strengthen our ability to ensure fair trade and to defend our agricultural and manufacturing base from import surges, unfair pricing, and abusive investment practices such as offsets or forced technology transfer.
- China's WTO accession will help advance economic reform, openness and the rule of law in China. It will also help to build a more stable and secure Pacific.
- All in all, this agreement is stronger and more comprehensive than the set of commitments China made last Spring.

Q: Did you give up protection for our our textile industry?

A:

- Absolutely not. We secured a textile safeguard provision that that permits U.S. companies and workers to respond to increased imports of textile and apparel from China through the end of 2008.
- In addition, a separate safeguard mechanism will be available for 12 years after China's accession to the WTO that can be used to address rapid increases in imports from China, including textiles, that cause or threaten market disruption.

Background:

- **WTO accession for China means one-way, market opening concessions by China to the U.S. This means more exports for American farmers, workers and companies.**
- WTO accession for China means that China makes unilateral concessions to open its markets and binds itself to a rules-based trading system. China's market opening commitments are enforceable in the WTO.
- China will open its markets to U.S. exports of agriculture, services, and manufactured goods. It will now be easier for U.S. companies to export products to China directly without establishing a production facility in China.
- Industrial tariffs will fall from an overall average of 24.6% in 1997 to an average of 9.4% by 2005. On U.S. priority agriculture products, tariffs will fall from an overall average 31.5% to 14.4% by January 2004. In information technology, tariffs on products such as computers, semiconductors and all Internet related equipment will fall from an average of 13.3% to 0% by 2005.
- The agreement goes far to open China's market for services where U.S. firms lead the world, including distribution, insurance, telecommunications including internet and satellite, banking and professional services.
- U.S. exports to China and Hong Kong now support 400,000 American jobs. This agreement locks in and increases access to the second largest economy in the world in terms of domestic purchasing power (\$4 trillion compared to Japan's \$3 trillion and the U.S.'s \$9 trillion), seventh largest economy in terms of GDP, and one-fifth of the world's people.
- **This WTO accession agreement will strengthen our ability to assure fair trade and to defend our agricultural and manufacturing base from import surges, unfair pricing, and abusive investment practices such as offsets or forced technology transfer.**
- China has agreed to eliminate requirements on U.S. firms operating in China that cost U.S. jobs, such as export performance requirements, offsets, local content requirements and foreign exchange balancing requirements.
- The agreement includes a 15-year provision ensuring that we can continue to apply our current non-market economy provisions in antidumping cases involving imports from China.
- China has also agreed to a special safeguard mechanism that will remain in place for 12 years following accession and that can be used to address rapid increases in imports from China that cause or threaten market disruption.

- **This agreement is stronger and more comprehensive than the set of commitments China made last Spring.**
 - We obtained stronger and firmer commitments on market access for motion pictures, auto financing, Internet and satellite services, and with respect to protections against dumping and import surges.
 - Where rebalancing was required in sensitive areas, we found "win-win" solutions.
 - For example, China agreed to allow auto financing and to front-load tariff reduction in autos in exchange for a slightly longer overall phase in period. This in combination with commitments regarding importation, distribution, sale and maintenance and repair of automobiles will help open this key sector for U.S. industry.
 - In certain areas of telecommunications, while the United States agreed to China's request to limit foreign equity participation to 50%, China agreed to significantly accelerate the percentage of equity participation in the first few years and eliminate geographic restrictions faster.
- **This is more than an ordinary trade agreement. WTO accession will advance economic reform, openness and the rule of law in China. It will also help to build a more stable and secure Pacific.**
 - In committing to abide by global rules of fair trade, China has embraced principles of economic openness and competition that will bolster its market reforms and advance the rule of law.
 - By entering the WTO China is obliged to accept principles such as independent judicial review of government policies and decisions, and publication of laws and regulations.
 - Opening China's telecommunications market, especially through satellite and Internet technology, will broaden the Chinese people's access to information and ideas.
 - Increasing China's economic integration into a rules-based Pacific and global economy will strengthen China's stake in regional peace and stability.

"We welcome the deal between the U.S. and China on WTO entry. This agreement is good for trade but also for human rights and the rule of law. Over the long term, China's membership in the WTO could increase pressure for greater openness, more press freedom, enhanced rights for workers, and an independent judiciary."

Human Rights Watch, Nov. 15, 1999

"The participation of China in the WTO would not only have economic and political benefits, but would also serve to bolster those in China who understand that the country must embrace the rule of law."

Leader of Hong Kong

Democratic Party Martin Lee, Nov. 14, 1999

"Before the sky is black, now there is light... This can be a new beginning... Undoubtedly, this will push political reform." Chinese political dissident Wan Rending, Washington Post, November 18, 1999

- **Granting permanent NTR is the only way to ensure that we get the benefit of China's commitments. President Clinton intends to work closely with Congress in the early part of next year to obtain permanent Normal Trade Relations for China.**
- Failure to do so will put American farmers and factories at a vast disadvantage with respect to Europe and Japan.
- Unless we grant China permanent NTR, we cannot enforce China's commitments in the WTO and will not receive their benefits.
- Under WTO rules, even with permanent NTR we can block imports of goods made with prison labor, maintain our export control policies, use our trade laws, and withdraw benefits including NTR itself in an emergency in international relations.

China WTO Accession: Agriculture

General

U.S. farmers and ranchers are among the most competitive in the world and stand to benefit from opening of new markets and means to address unfair competition from other countries. This is particularly true with respect to China's accession to the World Trade Organization (WTO). In general, as China integrates into the world economy, we expect that it will follow its comparative advantage and redeploy resources away from agricultural production and into more efficient sectors. Increasing efficiency in China will increase incomes for Chinese consumers, which will increase demand for agricultural products. This increased demand will occur at the same time that China's agricultural production is stabilizing.

Specific WTO disciplines place limits on China's government's ability to intervene and distort economic decisions in China. The WTO also provides the institutional basis to deal with trade issues, including through binding dispute settlement. In addition to the range of general WTO rules that require a transparent, consistent, non-discriminatory trade regime, China made a number of specific commitments to further open its market and limit trade-distorting subsidies (elaborated below).

Specific Commitments

Trading Rights and Distribution: Currently in China, the right to engage in trade is strictly limited; only companies that receive specific authorization are allowed to import into China. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has committed to allow any entity in China to import most products into any part of the country three years after accession. This commitment will be phased-in. A select list of products will be partially exempt from this rule and some trade will be channeled through China's state trading enterprises (including wheat, corn, rice, and cotton; state trading will be phased out for soybean oil). However, specific commitments to end monopoly import status have also been established. Trading rights for these products will be phased-in, gradually increasing the number of entities allowed to import. Additionally, China has committed to liberalize distribution services for all agricultural products, except tobacco, allowing U.S. companies to distribute and market their products in China.

Tariff Bindings: By joining the WTO, China is committing to establish a "tariff-only" import regime; 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 non-discriminatory system and all health measures must be based on sound science. Specific commitments to lower tariffs for agricultural products, to be phased-in by the year 2004 in equal annual installments, are elaborated in the specific fact sheets.

Tariff-Rate Quota Administration: As is common in many WTO Members, China will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities (including wheat, corn, rice, cotton, and soybean oil). Under this system, a specific quantity of imports will be allowed in at a low duty (10 percent or less) while additional imports will face a higher duty. China made specific commitments to administer these TRQs based 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 creating provisions to ensure that quota-holders are not impeded in utilizing their quotas. If TRQs are not utilized they are redistributed to other end users who have an interest in importing. Moreover, a specific share of the TRQ will be reserved for importation through state trading enterprises (such as COFCO and Chinatex) and a specific share will be reserved for importation by any other entity that has a right to trade. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October for any given year, it can be imported directly through any entity that has a right to trade.

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

Domestic Support: China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva, but China's allowed level of support will be substantially below that established for the European Union, Japan, and the United States. China also committed to provide more transparency to make its domestic support measures more predictable and to give a better understanding of how China's farm economy operates.

Sanitary and Phytosanitary Measures: China 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 terms for the removal of scientifically unjustified restrictions on importation of U.S. wheat, citrus, and meat. Discussions continue on removing import restrictions for other U.S. products.

Next WTO Round: As soon as it accedes to the WTO, China will be a full participant in the upcoming WTO Round. China will implement its accession commitments through the year 2004, as will a number of WTO Members. This will place China in the same position as other WTO members regarding implementation of any new commitments that are agreed to in the next Round.

CHINA WTO ACCESSION: Dairy

Tariffs: By joining the WTO, China is committing to establish a “tariff-only” import regime; 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 non-discriminatory system.

Some of the specific tariff concessions made by China on meat products include the following:

	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Fresh cheese	50	12
Grated/powdered cheese	50	12
Processed cheese	50	12
Yogurt	50	10
Lactose	35	10
Ice cream	45	19
Other food preparations	25	10
Whey	6	6

Trading Rights and Distribution: Currently in China, the right to engage in trade is strictly limited; only companies that receive specific authorization are allowed to import into China. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has committed to allow any entity in China to import most products, including dairy, into any part of the country three years after accession. This commitment will be phased-in. Additionally, China has committed to liberalize distribution services for dairy, allowing U.S. companies to distribute and market their products in China.

Export Subsidies: China committed not to use export subsidies for agricultural products when it joins the WTO. This commitment is particularly useful for addressing subsidized exports which may displace U.S. product from third-country markets.

Domestic Support: China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva, but China’s allowed level of support will be substantially below that established for the European Union, Japan, and the United States. China also committed to provide more transparency to make its domestic support measures more predictable and to give a better understanding of how China’s farm economy operates.

Sanitary and Phytosanitary Measures: China 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.

Next WTO Round: As soon as it accedes to the WTO, China will be a full participant in the upcoming WTO Round. China will implement its accession commitments through the year 2004, as will a number of WTO Members. This will place China in the same position as other WTO members regarding implementation of any new commitments that are agreed to in the next Round.

CHINA WTO ACCESSION: Oilseeds

Tariffs: By joining the WTO, China is committing to establish a “tariff-only” import regime; 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 non-discriminatory system.

Trading Rights: Currently in China, the right to engage in trade is strictly limited; only companies that receive specific authorization are allowed to import into China. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has committed to allow any entity in China to import most products into any part of the country three years after accession. This commitment will be phased-in. Soybean oil will be partially exempt from this rule for six years as state trading is phased out. In the interim some soybean oil trade will be channeled through China’s state trading enterprises. However, specific commitments to end monopoly import status have also been established. Additionally, China has committed to liberalize distribution services for oilseeds, allowing U.S. companies to distribute and market their products in China.

Tariff-Rate Quota Administration: As is common in many WTO Members, China will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities (including soybean oil). Under this system, a specific quantity of imports will be allowed in at a low duty while additional imports will face a higher duty. China made specific commitments to administer these TRQs based 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 creating provisions to ensure that quota-holders are not impeded in utilizing their quotas. If TRQs are not utilized they are redistributed to other end users who have an interest in importing. Moreover, a specific share of the TRQ will be reserved for importation through state trading enterprises (such as COFCO and Chinatex) and a specific share will be reserved for importation by any other entity that has a right to trade. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October for any given year, it can be imported directly through any entity that has a right to trade.

For oilseeds, China’s commitments include:

- China will bind its tariff for soybeans at the current applied rate of 3%, foreclosing its ability to establish a quota in the future. China’s imports of soybeans exceeded 3,000,000 metric tons in 1998.
- China will lower the tariff on soybean oil to 9 percent and phase out the TRQ for soybean oil by the year 2006 by bringing the out-of-quota duty down from 85% to 9%. During implementation, the TRQ will grow from 1,718,000 metric tons to 3,261,000 metric tons, with the share reserved for importation through entities other than state trading enterprises growing from 50 percent to 90 percent before the TRQ is eliminated. China imported 1,718,000 metric tons of soybean oil in 1998 (including estimates of smuggled trade).
- China will immediately eliminate quotas on cottonseed, sunflower, safflower, peanut and

corn oil and replace them with a 10 percent tariff. China committed to not charge a higher duty for any of these oils, and for soybean oil, than is charged for other vegetable oils.

Export Subsidies: China committed not to use export subsidies for agricultural products when it joins the WTO. This commitment is particularly useful for addressing subsidized exports which may displace U.S. product from third-country markets.

Domestic Support: China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva, but China's allowed level of support will be substantially below that established for the European Union, Japan, and the United States. China also committed to provide more transparency to make its domestic support measures more predictable and to give a better understanding of how China's farm economy operates.

Sanitary and Phytosanitary Measures: China 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.

Next WTO Round: As soon as it accedes to the WTO, China will be a full participant in the upcoming WTO Round. China will implement its accession commitments through the year 2004, as will a number of WTO Members. This will place China in the same position as other WTO members regarding implementation of any new commitments that are agreed to in the next Round.

CHINA WTO ACCESSION: Grains

Tariffs: By joining the WTO, China is committing to establish a “tariff-only” import regime; 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 non-discriminatory system.

Some of the specific tariff concessions made by China on grains include the following:

	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Sorghum	2	2
Barley malt	30	10

China also will remove the quota on barley, replacing it with a 9 percent tariff.

Trading Rights: Currently in China, the right to engage in trade is strictly limited; only companies that receive specific authorization are allowed to import into China. This limits the ability of U.S. exporters to do business in China, and has limited U.S. exports. China has committed to allow any entity in China to import most products into any part of the country three years after accession. This commitment will be phased-in. Some trade in the major grains will be exempt from this rule. For wheat, corn and rice some trade will be channeled through China’s state trading enterprises. However, specific commitments to end monopoly import status have also been established. Additionally, China has committed to liberalize distribution services for grains, allowing U.S. companies to distribute and market their products in China.

Tariff-Rate Quota Administration: As is common in many WTO Members, China will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities (including wheat, corn, rice, cotton, and soybean oil). Under this system, a specific quantity of imports will be allowed in at a low duty (10 percent or less) while additional imports will face a higher duty (80% reduced to 65% by the year 2004 for grains). China made specific commitments to administer these TRQs based 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 creating provisions to ensure that quota-holders are not impeded in utilizing their quotas. If TRQs are not utilized they are redistributed to other end users who have an interest in importing. Moreover, 90% of the TRQ will be reserved for importation through state trading enterprises (such as COFCO) and 10% will be reserved for importation by any other entity that has a right to trade. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October of any given year, it can be imported directly through any entity that has a right to trade.

Some of the specific tariff concessions made by China on grains include the following:

Wheat	<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
	7,300,000 mt	9,636,000 mt	10%	2,000,000 mt
Corn	<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>

	4,500,000 mt	7,200,000 mt	25%, grows to 40%	250,000 mt
Rice	<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
total	2,660,000 mt	5,320,000 mt		250,000 mt
short/med grain	1,330,000 mt	2,660,000 mt	50%	
long grain	1,330,000 mt	1,330,000 mt	10%	

Export Subsidies: China committed not to use export subsidies for agricultural products when it joins the WTO. This commitment is particularly useful for addressing subsidized exports which may displace U.S. product from third-country markets.

Domestic Support: China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva, but China's allowed level of support will be substantially below that established for the European Union, Japan, and the United States. China also committed to provide more transparency to make its domestic support measures more predictable and to give a better understanding of how China's farm economy operates.

Sanitary and Phytosanitary Measures: China also committed to remove its import ban on wheat and other grains from the Pacific Northwest. China 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.

Next WTO Round: As soon as it accedes to the WTO, China will be a full participant in the upcoming WTO Round. China will implement its accession commitments through the year 2004, as will a number of WTO Members. This will place China in the same position as other WTO members regarding implementation of any new commitments that are agreed to in the next Round.

CHINA WTO ACCESSION: Cotton

Trading Rights: Currently in China, the right to engage in trade is strictly limited; only companies that receive specific authorization are allowed to import into China. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has committed to allow any entity in China to import most products into any part of the country three years after accession. This commitment will be phased-in. Some trade in cotton will be exempt from this rule and will be channeled through China's state trading enterprises. However, specific commitments to end the monopoly import status have also been established to add market discipline to trade in cotton. Additionally, China has committed to liberalize distribution services for cotton, allowing U.S. companies to distribute and market their products in China.

Tariff Bindings: By joining the WTO, China is committing to establish a "tariff-only" import regime; 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 non-discriminatory system.

Tariff-Rate Quota Administration: As is common in many WTO members, China will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities (including cotton). Under this system, a specific quantity of imports will be allowed in at a low duty (1% percent for cotton) while additional imports will face a higher duty (76% reduced to 40% in the year 2004 for cotton). China made specific commitments to administer these TRQs based 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 creating provisions to ensure that quota-holders are not impeded in utilizing their quotas. If TRQs are not utilized they are redistributed to other end users who have an interest in importing. Moreover, 33% of the TRQ will be reserved for importation through state trading enterprises (such as Chinatex) and 67% will be reserved for importation by any other entity that has a right to trade. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October of any given year, it can be imported directly through any entity that has a right to trade.

For cotton, China's committed to establish a TRQ on the following terms:

<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
743,000 mt	894,000 mt	67%	200,000 mt

Export Subsidies: China committed not to use export subsidies for agricultural products when it joins the WTO. This commitment is particularly useful for addressing subsidized exports which may displace U.S. product from third-country markets.

Domestic Support: China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva, but China's allowed level of support will be substantially below that established for the European Union, Japan, and the United States. China also committed to provide more transparency to make its domestic support measures more predictable and to give a better understanding of how China's farm economy operates.

Sanitary and Phytosanitary Measures: China 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.

Next WTO Round: As soon as it accedes to the WTO, China will be a full participant in the upcoming WTO Round. China will implement its accession commitments through the year 2004, as will a number of WTO Members. This will place China in the same position as other WTO members regarding implementation of any new commitments that are agreed to in the next Round.

CHINA WTO ACCESSION: Cotton

Trading Rights: Currently in China, the right to engage in trade is strictly limited; only companies that receive specific authorization are allowed to import into China. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has committed to allow any entity in China to import most products into any part of the country three years after accession. This commitment will be phased-in. Some trade in cotton will be exempt from this rule and will be channeled through China's state trading enterprises. However, specific commitments to end the monopoly import status have also been established to add market discipline to trade in cotton. Additionally, China has committed to liberalize distribution services for cotton, allowing U.S. companies to distribute and market their products in China.

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Tariff-Rate Quota Administration: As is common in many WTO members, China will use a tariff-rate quota (TRQ) system and state trading for certain sensitive commodities (including cotton). Under this system, a specific quantity of imports will be allowed in at a low duty (1% percent for cotton) while additional imports will face a higher duty (76% reduced to 40% in the year 2004 for cotton). China made specific commitments to administer these TRQs based 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 creating provisions to ensure that quota-holders are not impeded in utilizing their quotas. If TRQs are not utilized they are redistributed to other end users who have an interest in importing. Moreover, 33% of the TRQ will be reserved for importation through state trading enterprises (such as Chinatex) and 67% will be reserved for importation by any other entity that has a right to trade. Finally, if a TRQ share that was reserved to be imported by a state trader is not contracted for by October of any given year, it can be imported directly through any entity that has a right to trade.

For cotton, China's committed to establish a TRQ on the following terms:

<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
743,000 mt	894,000 mt	67%	200,000 mt

Export Subsidies: China committed not to use export subsidies for agricultural products when it joins the WTO. This commitment is particularly useful for addressing subsidized exports which may displace U.S. product from third-country markets.

Domestic Support: China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva, but China's allowed level of support will be substantially below that established for the European Union, Japan, and the United States. China also committed to provide more transparency to make its domestic support measures more predictable and to give a better understanding of how China's farm economy operates.

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CHINA WTO ACCESSION: Meat

Specific Commitments

Tariffs: By joining the WTO, China is committing to establish a “tariff-only” import regime; 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 non-discriminatory system.

Some of the specific tariff concessions made by China on meat products include the following:

	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Frozen beef cuts	45	12
Frozen beef tongue and offal	20	12
Frozen pork cuts and offal	20	12
Frozen chicken and turkey parts	20	10

Trading Rights and Distribution: Currently in China, the right to engage in trade is strictly limited; only companies that receive specific authorization are allowed to import into China. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has committed to allow any entity in China to import most products, including meat, into any part of the country three years after accession. This commitment will be phased-in. Additionally, China has committed to liberalize distribution services for meat, allowing U.S. companies to distribute and market their products in China.

Export Subsidies: China committed not to use export subsidies for agricultural products when it joins the WTO. This commitment is particularly useful for addressing subsidized exports which may displace U.S. product from third-country markets.

Domestic Support: China committed to cap and reduce trade-distorting domestic subsidies. The specific level will be determined through multilateral negotiations in Geneva, but China’s allowed level of support will be substantially below that established for the European Union, Japan, and the United States. China also committed to provide more transparency to make its domestic support measures more predictable and to give a better understanding of how China’s farm economy operates.

Sanitary and Phytosanitary Measures: China made a bilateral commitment to lift its ban and accept meat from all U.S. plants certified by U.S. Department of Agriculture’s (USDA) Food Safety and Inspection Service (FSIS). China 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.

Next WTO Round: As soon as it accedes to the WTO, China will be a full participant in the upcoming WTO Round. China will implement its accession commitments through the year 2004, as will a number of WTO Members. This will place China in the same position as other WTO members regarding implementation of any new commitments that are agreed to in the next

Round.

China WTO Accession: Specific Commodity Commitments

China will bind all tariffs against future increase at their current level, and reduce tariff levels for a number of products. Tariff reductions will occur in equal annual installments, starting upon China's accession and continuing through the year 2004. When tariff cuts are fully implemented, the average agricultural tariff in China will fall to 17.5 percent, while the average duty on U.S. priority products will drop from 31 percent to 14.5 percent. China will also establish tariff-rate quotas for a number of bulk commodities. For these products, a specified quantity of imports will be allowed at a low duty (not to exceed 10 percent) and any additional imports will be assessed a higher duty. The TRQ quantities will increase annually through the year 2004. There will be specific disciplines on the TRQ system to put the import decision on a commercial, not political, basis. The shares of the TRQ will be reserved for importation through entities other than state trading enterprises.

Some of the specific concessions made by China include the following:

Beef, Pork and Poultry	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Frozen beef cuts	45	12
Frozen beef tongue and offal	20	12
Frozen pork cuts and offal	20	12
Frozen chicken and turkey parts	20	10

Imports will not have quantity limits at these tariff levels (i.e., no TRQ). China made a bilateral commitment to lift its ban and accept meat from all U.S. plants certified by U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service (FSIS).

Dairy	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Fresh cheese	50	12
Grated/powdered cheese	50	12
Processed cheese	50	12
Yogurt	50	10
Lactose	35	10
Ice cream	45	19
Other food preparations	25	10
Whey	6	6

Vegetables	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Lettuce	16	10
Cauliflower	13	10
Broccoli	13	10
Celery	13	10
Frozen sweet corn	13	10
Frozen vegetable mixtures	13	10
Canned sweet corn	25	10
Canned tomato paste	25	20
Tomato ketchup	30	15

Nuts	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Shelled almonds and hazelnuts	30	10
Pistachios	35	10
Shelled and canned walnuts	30	20
Other canned nuts	30	13

Citrus	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Oranges	40	12
Lemons	40	12
Grapefruit	40	12
Frozen orange juice concentrate	35	15
Grapefruit juice	35	15

China made a bilateral commitment to lift its ban on imports of citrus fruit from California, Arizona, Texas, and Florida.

Other Fruits	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Apples	30	10
Pears	30	10
Cherries	30	10
Fresh peaches	30	10
Canned peaches	30	10
Other jams and jellies	30	10
Plums	40	10
Raisins	40	10
Grapes	40	13
Wine	65	20
Other fruits and nuts	30	20
Grape juice	35	20
Fruit juice mixtures	35	20
Water-based drinks with sugar	65	20
Other water-based drinks	50	35.

Other Products	<u>Current Tariff (%)</u>	<u>Tariff in 2004 (%)</u>
Hop cone pellets	30	10
Hop extracts	20	10
Ginseng	40	10
Yellow grease	40	10
Sweet biscuits	25	15
Soup	45	15
Pet food	30	15
Mink furskins	30	15
Cigarettes	65	25
Tobacco	40	10
Beverage bases	60	35
Sorghum	2	2
Barley malt	30	10

China also will remove the quota on barley, replacing it with a 9 percent tariff.

Wheat	<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
	7,300,000 mt	9,636,000 mt	10%	2,000,000 mt

China also made a bilateral commitment to remove its import ban on wheat and other grains from the Pacific Northwest.

Corn	<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
	4,500,000 mt	7,200,000 mt	25%, grows to 40%	250,000 mt

Rice	<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
total	2,660,000 mt	5,320,000 mt		250,000 mt
short/med grain	1,330,000 mt	2,660,000 mt	50%	
long grain	1,330,000 mt	1,330,000 mt	10%	

Oilseeds. China will bind its tariff for soybeans at the current applied rate of 3 percent, foreclosing its ability to establish a quota in the future. China will lower the tariff on soybean oil to 9 percent and phase out the TRQ for soybean oil by the year 2006. During implementation, the TRQ will grow from 1,718,000 metric tons to 3,261,000 metric tons, with the share reserved for importation through entities other than state trading enterprises growing from 50 percent to 90 percent before the TRQ is eliminated. China will immediately eliminate quotas on cottonseed, sunflower, safflower, peanut and corn oil and replace them with a 10 percent tariff. China committed to not charge a higher duty for any of these oils than is charged for other vegetable oils. China imported 1,718,000 metric tons of soybean oil in 1998 (including estimates of smuggled trade). China's imports of soybeans exceeded 3,000,000 metric tons in 1998.

Cotton	<u>Initial TRQ</u>	<u>2004 TRQ</u>	<u>Private Share</u>	<u>1998 Total Imports</u>
	743,000 mt	894,000 mt	67%	200,000 mt

REMARKS TO U.S. ALLIANCE FOR TRADE EXPANSION CHINA WTO

- THANK YOU FOR OPPORTUNITY TO MEET WITH YOU, AND FOR WORK YOU HAVE DONE IN SUPPORT OF TRADE LIBERALIZATION AND THIS MINISTERIAL.
- PARTICULARLY WANT TO RECOGNIZE LEADERSHIP SHOWN BY SCOTT MILLER AND PROCTER AND GAMBLE IN ORGANIZING THIS BROAD COALITION OF BUSINESSES (BRT, ECAT, U.S. CHAMBER, NAM, PHARMA, AG GROUPS).

BUILDING THE CONSENSUS FOR FREE TRADE

- OBVIOUS FROM EVENTS HERE THIS WEEK THAT WORK REMAINS FOR ALL OF US - GOVERNMENTS, LEADERS, BUSINESSES, FARMERS, WORKERS AND OTHERS, TO BOTH BROADEN AND MAKE CLEAR THE BENEFITS OF FREE TRADE.
- OPEN MARKETS HAVE WORKED FOR SEATTLE, FOR WASHINGTON STATE, FOR THE UNITED STATES AND FOR THE WORLD.
- AS AMBASSADOR BARSHEFSKY HAS NOTED, THE GATT AND WTO HAVE PLAYED A VITAL ROLE IN PAST FIVE DECADES IN RAISING INCOMES AND STANDARDS OF LIVING (FIFTEEN FOLD GROWTH IN GLOBAL TRADE, SIX FOLD INCREASE IN WORLD ECONOMIC PRODUCTION, TRIPLING OF PER CAPITA INCOME).
- SOME OF OUR CITIZENS UNDERSTAND THESE BENEFITS, BUT MANY DO NOT. NEED TO CONTINUE HARD WORK TO DEEPEN UNDERSTANDING OF BENEFITS OF FREE TRADE AS WE WORK TO EXPAND IT.
- PART OF THAT WORK MUST BE FURTHER OPENNESS IN THE SYSTEM AND ADDRESSING LABOR AND SUSTAINABLE DEVELOPMENT. WANT TO WORK WITH YOU IN THAT EFFORT AS WE MOVE FORWARD TO BRING DOWN AGRICULTURE, SERVICES, INDUSTRIAL AND OTHER BARRIERS TO FREE TRADE.
- LET ME ASSURE YOU THAT WE ARE MAKING STRONG PROGRESS IN THIS MINISTERIAL. (EXAMPLES FROM TUESDAY)
- THERE IS MUCH TO BE DONE, BUT I AM CONFIDENT THAT WHAT WILL COME OUT OF THIS WEEK IS A STRONGER MULTILATERAL BLUE PRINT FOR FREE TRADE.

CHINA WTO AGREEMENT

- IT IS IN THIS CONTEXT THAT I WANT TO DISCUSS CHINA'S ACCESSION TO THE WTO.
- THE PROCESS OF BRINGING CHINA INTO THE WTO IS IN NO SMALL PART THE PROCESS OF BUILDING THE POPULAR CONSENSUS FOR FREE TRADE. BOTH WE IN THE UNITED STATES AND THE REFORMERS OF CHINA CONFRONT THIS TASK.
- WHAT MADE THE AGREEMENT REACHED IN BEIJING POSSIBLE WAS THE CONVICTION OF BOTH PRESIDENT CLINTON AND PRESIDENT JIANG THAT BRINGING CHINA INTO THE RULES BASED GLOBAL TRADING SYSTEM WOULD BE GOOD FOR CHINA, GOOD FOR THE UNITED STATES, AND GOOD FOR THE WORLD.

- PRESIDENT CLINTON DID NOT RELENT IN PURSUIT OF A COMMERCIALLY STRONG AGREEMENT, DESPITE THE TRAGIC, UNFORSEEABLE BOMBING IN MAY, AND PRESIDENT JIANG AND PREMIER ZHU CONTINUED TO MAKE THE CASE FOR REFORM AT HOME, EVEN WHEN CONFRONTED WITH STRONG FORCES OF DOMESTIC RESISTANCE.
- AFTER THE ACCIDENTAL BOMBING IN MAY, IT WAS A SLOW, DIFFICULT PROCESS PUTTING OUR RELATIONSHIP BACK ON TRACK.
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- NO PROGRESS WAS MADE WHEN THE CHINESE CAME TO WASHINGTON IN LATE SEPTEMBER.
- WHEN PRESIDENT CLINTON SPOKE TO PRESIDENT JIANG AFTER HIS RETURN FROM EUROPE IN EARLY NOVEMBER, JIANG HINTED AT SOME FLEXIIBILITY. WE FELT IT IMPORTANT TO MAKE A FINAL TRY BEFORE THIS MINISTERIAL, BUT WOULD NOT LOWER OUR STANDARD FOR AN ACCEPTABLE AGREEMENT.
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- THE AGREEMENT WE REACHED IS TRULY HISTORIC. IT IS STRONG, COMPREHENSIVE, AND FULLY ENFORCEABLE, COVERING ALL AGRICULTURAL PRODUCTS, ALL INDUSTRIAL GOODS, AND A BROAD RANGE OF SERVICES.
- IT WILL BE EASIER FOR U.S. COMPANIES TO EXPORT PRODUCTS TO CHINA DIRECTLY AND TO COMPETE DIRECTLY IN THIS VAST MARKET.
- THE AGREEMENT WILL ALSO STRENGTHEN OUR ABILITY TO ASSURE FAIR TRADE AND TO DEFEND OUR AGRICULTURE AND MANUFACTURING BASE IMPORT SURGES, UNFAIR PRICING, AND ABUSIVE CHINESE INVESTMENT PRACTICES, SUCH AS EXPORT PERFORMANCE REQUIREMENTS, OFFSETS, LOCAL CONTENT REQUIREMENTS, AND FORCED TECHNOLOGY TRANSFERS.
- THE AGREEMENT IS STRONGER AND MORE COMPREHENSIVE THAN THE SET OF COMMITMENTS CHINA MADE LAST SPRING.
 - WE OBTAINED STRONGER AND FIRMER COMMITMENTS ON MARKET ACCESS FOR MOTION PICTURES, AUTO FINANCING, INTERNET AND SATELLITE SERVICES, AND OBTAINED STRONG AGREEMENTS TO ADDRESS DUMPING AND IMPORT SURGES.
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- BUT THIS IS MORE THAN AN ORDINARY TRADE AGREEMENT. WTO ACCESSION WILL ADVANCE MARKET ORIENTED REFORM, OPENNESS AND THE RULE OF LAW IN CHINA.
- A CHINA MORE DEEPLY INTEGRATED INTO A RULES BASED GLOBAL ECONOMIC SYSTEM WILL HELP TO CREATE A MORE STABLE AND SECURE PACIFIC REGION AND WORLD.

PERMANENT NTR

- ON THE BASIS OF THIS STRONG AGREEMENT, PRESIDENT CLINTON INTENDS TO WORK CLOSELY WITH CONGRESS EARLY NEXT YEAR TO OBTAIN PERMANENT NTR.
- THIS WILL BE THE ONLY WAY WE WILL OBTAIN THE FULL BENEFITS OF THIS AGREEMENT. WANT TO WORK CLOSELY WITH YOU IN THIS EFFORT.
- OUR INTENT TO MOVE FORWARD EARLIER RATHER THAN LATER. POLITICS WORSE WITH TIME. DO NOT WANT TWO VOTES.
- INTERESTED IN HOW YOU ARE SEEING VOTES.
- WE ARE WORKING THIS HARD. CABINET MEMBERS ARE MAKING CALLS THIS WEEK TO KEY MEMBERS. WE ARE MAKING THESE CALLS BECAUSE IT IS IMPORTANT MEMBERS HEAR FROM US WHILE AT HOME FOR RECESS. OPPOSITION IS NOT TAKING A HOLIDAY.
- CHINA STILL HAS MORE WORK TO DO BEFORE IT CAN ENTER THE WTO.
- AS YOU KNOW CHINA STILL HAS TO COMPLETE NEGOTIATIONS WITH EUROPE AND SEVERAL OTHER NATIONS. CHINESE WILL MEET WITH EUROPEANS IN DECEMBER PRIOR TO REVERSION OF MACAU. CHINA HAS REACHED BILATERAL AGREEMENT WITH CANADA.
- CHINA ALSO NEEDS TO COMPLETE REMAINING WORK ON PROTOCOL IN GENEVA. AMBASSADOR BARSHEFSKY WILL DISCUSS TIMETABLE FOR COMPLETING THIS WORK WITH CHINESE TRADE MINISTER HIS WEEK..

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CHINA'S WTO ACCESSION AND U.S. INTERESTS

November 26, 1999

WTO accession for China means one-way, market opening concessions by China to the U.S. This means more exports for American farmers, workers and companies.

- WTO accession for China means that China makes unilateral concessions to open its markets and binds itself to a rules-based trading system. China's market opening commitments are enforceable in the WTO.
- China will open its markets to U.S. exports of agriculture, services, and manufactured goods. It will now be easier for U.S. companies to export products to China directly without establishing a production facility in China.
 - Industrial tariffs will fall from an overall average of 24.6% in 1997 to an average of 9.4% by 2005. On U.S. priority agriculture products, tariffs will fall from an overall average 31.5% to 14.4% by January 2004. In information technology, tariffs on products such as computers, semiconductors and all Internet related equipment will fall from an average of 13.3% to 0% by 2005.
 - The agreement goes far to open China's market for services where U.S. firms lead the world, including distribution, insurance, telecommunications including internet and satellite, banking and professional services.
 - U.S. exports to China and Hong Kong now support 400,000 American jobs. This agreement locks in and increases access to the second largest economy in the world in terms of domestic purchasing power (\$4 trillion compared to Japan's \$3 trillion and the U.S.'s \$9 trillion), seventh largest economy in terms of GDP, and one-fifth of the world's people.

This WTO accession agreement will strengthen our ability to assure fair trade and to defend our agricultural and manufacturing base from import surges, unfair pricing, and abusive investment practices such as offsets or forced technology transfer.

- China has agreed to eliminate requirements on U.S. firms operating in China that cost U.S. jobs, such as export performance requirements, offsets, local content requirements and foreign exchange balancing requirements.
- The agreement includes a 15-year provision ensuring that we can continue to apply our current non-market economy provisions in antidumping cases involving imports from China.
- China has also agreed to a special safeguard mechanism that will remain in place for 12 years following accession and that can be used to address rapid increases in imports from China that cause or threaten market disruption.

This agreement is stronger and more comprehensive than the set of commitments China made last Spring.

- We obtained stronger and firmer commitments on market access for motion pictures, auto financing, Internet and satellite services, and with respect to protections against dumping and import surges.
- Where rebalancing was required in sensitive areas, we found "win-win" solutions.

- For example, China agreed to allow auto financing and to front-load tariff reduction in autos in exchange for a slightly longer overall phase in period. This in combination with commitments regarding importation, distribution, sale and maintenance and repair of automobiles will help open this key sector for U.S. industry.
- In certain areas of telecommunications and insurance, while the United States agreed to China's request to limit foreign equity participation to 50%, China agreed to significantly accelerate the percentage of equity participation in the first few years and eliminate geographic restrictions faster.

This is more than an ordinary trade agreement. WTO accession will advance economic reform, openness and the rule of law in China. It will also help to build a more stable and secure Pacific.

- In committing to abide by global rules of fair trade, China has embraced principles of economic openness and competition that will bolster its market reforms and advance the rule of law.
- By entering the WTO China is obliged to accept principles such as independent judicial review of government policies and decisions, and publication of laws and regulations.
- Opening China's telecommunications market, especially through satellite and Internet technology, will broaden the Chinese people's access to information and ideas.
- Increasing China's economic integration into a rules-based Pacific and global economy will strengthen China's stake in regional peace and stability.

"We welcome the deal between the U.S. and China on WTO entry. This agreement is good for trade but also for human rights and the rule of law. Over the long term, China's membership in the WTO could increase pressure for greater openness, more press freedom, enhanced rights for workers, and an independent judiciary."
Human Rights Watch, Nov. 15, 1999

"The participation of China in the WTO would not only have economic and political benefits, but would also serve to bolster those in China who understand that the country must embrace the rule of law."
Leader of Hong Kong Democratic Party Martin Lee, Nov. 14, 1999

"Before the sky is black, now there is light...This can be a new beginning...Undoubtedly, this will push political reform." Chinese political dissident Wan Rending, Washington Post, November 18, 1999

Granting permanent NTR is the only way to ensure that we get the benefit of China's commitments. President Clinton intends to work closely with Congress in the early part of next year to obtain permanent Normal Trade Relations for China.

- Failure to do so will put American farmers and factories at a vast disadvantage with respect to Europe and Japan.
- Unless we grant China permanent NTR, we cannot enforce China's commitments in the WTO and will not receive their benefits.
- Under WTO rules, even with permanent NTR we can block imports of goods made with prison labor, maintain our export control policies, use our trade laws, and withdraw benefits including NTR itself in an emergency in international relations.

Jon Hahn

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Clinton takes strong stand on labor rights

Wednesday, December 1, 1999

By **MICHAEL PAULSON** ✉
SEATTLE POST-INTELLIGENCER
WASHINGTON CORRESPONDENT

Hours before he was to arrive in a Seattle engulfed by angry protesters, President Clinton endorsed a major goal of labor unionists who have fueled many of the demonstrations against the World Trade Organization.

In an exclusive interview Tuesday with the Post-Intelligencer, Clinton for the first time embraced the concept of eventually imposing sanctions against countries that violate international labor standards and said Americans shouldn't buy products from companies that exploit workers.

"What we ought to do first of all is to adopt the United States's position on having a working group on labor within the WTO, and then that working group should develop these core labor standards, and then they ought to be a part of every trade agreement, and ultimately I would favor a system in which sanctions would come for violating any provision of a trade agreement," Clinton said.

Clinton also said he deplored the conduct of violent protesters in Seattle, but said he believes the majority of the demonstrators are making a valuable contribution to the WTO meeting.

HEADLINES

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Protestant, Catholic foes form historic government

Fierce Islamic resistance growing in Chechnya, Russians report

Yeltsin back in hospital; pneumonia is suspected

Steps to stop phone 'slamming' on the way

FBI joins case as scores of bodies are found in Mexico

Many violent crimes against youths go unreported, federal study finds

U.S. drops bid to keep Egyptian man in jail

Clinton signs budget, says more to do

Typically overworked, hospital interns



WORLD TRADE ORGANIZATION

For more coverage, see our WTO Index.

The president's support of labor-related sanctions goes beyond positions previously articulated by top officials of his administration. Such sanctions are opposed by the European Union and by the National Association of Manufacturers in the United States.



See a transcript of Michael Paulson's interview with President Clinton.

"It is legitimate to say that if people are out there working and selling their products in an international arena and Americans are going to buy them . . . we ought not to buy from countries who violate the child labor norms, we ought not to buy from companies that basically oppress their workers with labor conditions and lack of a

living income," Clinton said.

U.S. labor leaders, told of Clinton's comments, welcomed his remarks.

"We have never had this kind of reaction from any government agency before, especially the White House," said Thomas Buffenbarger, the president of the International Association of Machinists and Aerospace Workers. "It's movement forward."

And Ron Judd, executive secretary of the King County Labor Council, said "What he has basically laid out there is all the steps necessary to accomplish what we need to have happen. That's much more complete than he has articulated before."

Clinton made his comments in a phone interview from San Francisco, where he attended a fund raiser for congressional candidates. He then moved on to Los Angeles, and was scheduled to arrive in Seattle early this morning.

Today, Clinton is to deliver a speech at the Port of Seattle about the importance of agricultural trade, and speak to a luncheon of world trade ministers. Tomorrow the president is to sign an International

organize unions

Research on Internet leads to slaying-suicide

Bradley spells out foreign policies

Supreme Court to settle hate-crime dispute

Can states, cities apply moral rules to buying?

Mob turns vicious during Kosovo festival

Palestinian dissidents refuse to retract attack on Arafat despite arrests

N. Korea fears threat from Western ideas, Clinton told

For flock of crows, to short out a Florida power line is a snap

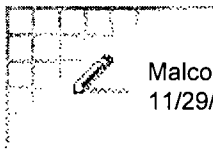
Parties vie for de Gaulle's mantle

Pakistan fears that it's coming down with the Year 2000 bug

Father wants boat-survivor boy back home in Cuba

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Coalition's election

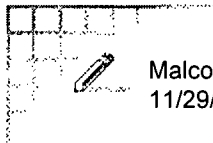


Malcolm R. Lee
11/29/99 07:14:51 PM

Record Type: Record

To: sharony@erols.com @ inet
cc:
Subject: China WTO Briefing Materials

----- Forwarded by Malcolm R. Lee/OPD/EOP on 11/29/99 07:14 PM -----



Malcolm R. Lee
11/29/99 06:31:39 PM

Record Type: Record

To: Timothy E. Punke/OPD/EOP@EOP
cc: Robert F. Wescott/OPD/EOP@EOP, Melissa G. Green/OPD/EOP@EOP, Sharon H. Yuan/OPD/EOP@EOP, Carl Haacke/OPD/EOP@EOP
Subject: China WTO Briefing Materials

Tim:

FYI: No time set yet for CB/Shi meeting. USTR wants 2:00 Tuesday, but Chinese have not responded. Cassidy meeting with Long at 6:00 pm our time to try to nail down.

Have bulk of good, strong briefing materials in from agencies. Did not get Charlene's Shi briefing memo. Also will need section on macro that Rob is assembling. Let's get together as soon as possible so you can begin assembly.

Tim: Suggest following organization for gene's book, melissa may have other suggestions -- he will want his own notes up front I assume.

Recommend new briefing materials up front including:

- 1) administration talking points for congressional calls and general fact sheets (3 pager and 7 pager) being circulated now (I emailed those out Friday night)
- 2) Issue Background Materials - draft fact sheets/points and background papers as well as any specific articles on particular sectors, as well as constituent/congressional letters/positions. :
 - **agriculture** (got good general points plus six or seven separate subsector fact sheets from USTR attached below)
 - **industry sectors** (I have separate draft fact sheets on Autos, Cosmetics, Ag Equipment, chemicals, , civil aircraft, construction equip, distilled spirits and beer, fertilizer, furniture, info tech.

products, med equip, paper, pharmaceuticals, scientific equipment, fish, soda ash, steel, textiles, toys, wood,, other sectors - these tell story about each sector, including what we got in services that will help each sector)

- **services** (USTR says our 7 page public document is best thing, also include internal USTR document from April Gene and I have, new fact sheets not yet drafted)
 - **financial services** (got paper from Treasury)
 - **telecom** (e-mailing you something from commerce, include front page WSJ article from last week)
 - **insurance** (need major Post article from last week)
 - **protocol** (I have additional background materials from negotiations)
labor/human rights (my talkers, Post article, martin lee letter, letters from Congress, unions, etc, fact sheets from NTR battle)
 - **WTO Process** (points below attached)
 - **Taiwan** (points below attached)
- 3) **Permanent NTR** (USTR/State Legal papers (I have) and Congressional letters (in Gene's book)
- 4) **Trade Statistics/Deficit** (need update from Carl Haacke, USTR, Treasury or Rob)
- 5) **China Macro**
- 6) **China WTO Statements** by Gene and Charlene/press conference transcripts (you have and can pull up. CB Press Club speech. Transcript of Gene/CB press conference in Beijing, any other speeches, statements, including POTUS statement from Istanbul.

Then recommend have separate portion of book devoted to historical negotiating documents. Existing book has these in good order, but should add new section up front called "November Closing Documents". These include the proposals back and forth between us and the Chinese.

----- Forwarded by Malcolm R. Lee/OPD/EOP on 11/29/99 04:29 PM -----



Catherine Field <FIELD_CATHERINE@ustr.gov>

11/29/99 04:22:33 PM

Record Type: Record

To: Malcolm R. Lee/OPD/EOP, r@ustr.gov

cc:

Subject: Re: Use This Version: Revised China WTO Talking Points and Summary

**** High Priority ****

I'm going to use this as a vehicle rather than attempting to figure out your address.
Hope this does the job.

Regards,

Cath

China WTO Talking Points For Gene Sperling

Background:

1-The following Democratic Members have regularly supported granting annual NTR status to China. Each of them is scheduled to be in Seattle during the WTO meeting.

Rep. Pomeroy
Rep. Moran
Rep. Rangel

2-We are contacting them at this point to make sure of their continuing support. This support will be critical next year but we need an accurate assessment of their views now.

3-We will also be contacting NTR supporters who are not in Seattle. The current round of contacts can be done informally, face-to-face in Seattle.

Talking Points:

-I want to check with you concerning China WTO and permanent NTR status. I know you've been a strong supporter in the past of Normal Trade Relations with China.

-The bilateral agreement reached between China and the US provides for unprecedented market opening concession by China to the U.S. This means more exports for American farmers, workers and companies. The agreement is actually stronger and more comprehensive than the set of commitments China than the set of commitments China made last Spring.

-The timing of legislative action next year is not yet clear. However, I want you to know that the Administration is firmly committed to an aggressive effort to present the strengths of permanent NTR for China and its accession to the WTO. You'll be seeing a very public effort from the Administration, including the President, to present the benefits of this agreement to the American people.

-I know that the politics of the issue may be even more complicated than the annual NTR vote. We want you to know that we understand the concerns of the unions and we're committed to working with them throughout the process.

-Will you be supportive of permanent NTR for China when it comes up next year?

CHINA WTO CABINET CALLS

Daley

Rep. Inslee
Rep. Levin
Rep. Jefferson

Eizenstat

Rep. Becerra
Rep. LaFalce
Rep. Tauscher

Glickman

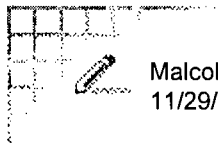
Rep. Clayton
Rep. Holden
Rep. Stenholm
Rep. Boswell

Slater

Rep. Dicks
Rep. McDermott
Rep. Thurman

Sperling

Rep. Pomeroy
Rep. Moran
Rep. Rangel



Malcolm R. Lee
11/29/99 06:31:39 PM

Record Type: Record

To: Timothy E. Punke/OPD/EOP@EOP
cc: Robert F. Wescott/OPD/EOP@EOP, Melissa G. Green/OPD/EOP@EOP, Sharon H. Yuan/OPD/EOP@EOP, Carl Haacke/OPD/EOP@EOP
Subject: China WTO Briefing Materials

Tim:

FYI: No time set yet for CB/Shi meeting. USTR wants 2:00 Tuesday, but Chinese have not responded. Cassidy meeting with Long at 6:00 pm our time to try to nail down.

Have bulk of good, strong briefing materials in from agencies. Did not get Charlene's Shi briefing memo. Also will need section on macro that Rob is assembling. Let's get together as soon as possible so you can begin assembly.

Tim: Suggest following organization for gene's book, melissa may have other suggestions -- he will want his own notes up front I assume.

Recommend new briefing materials up front including:

1) administration talking points for congressional calls and general fact sheets (3 pager and 7 pager) being circulated now (I emailed those out Friday night)

2) Issue Background Materials - draft fact sheets/points and background papers as well as any specific articles on particular sectors, as well as constituent/congressional letters/positions. :

- **agriculture** (got good general points plus six or seven separate subsector fact sheets from USTR attached below)
- **industry sectors** (I have separate draft fact sheets on Autos, Cosmetics, Ag Equipment, chemicals, , civil aircraft, construction equip, distilled spirits and beer, fertilizer, furniture, info tech. products, med equip, paper, pharmaceuticals, scientific equipment, fish, soda ash, steel, textiles, toys, wood,, other sectors - these tell story about each sector, including what we got in services that will help each sector)
- **services** (USTR says our 7 page public document is best thing, also include internal USTR document from April Gene and I have, new fact sheets not yet drafted)
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Regards,

Cath

>>> <Malcolm_R_Lee@oa.eop.gov> 11/26/99 08:56PM >>>

Message Creation Date was at 26-NOV-1999 20:56:00

Sorry for the two emails. This is the right one.

----- Forwarded by Malcolm R. Lee/OPD/EOP on 11/26/99

08:55 PM

Malcolm R. Lee
11/26/99 08:48:20 PM
Record Type: Record

Financial Services (non-insurance)

China currently limits foreign banks to foreign currency business in selected cities except for experiments in local currency business (but only with foreign customers) in two cities. Securities firms may only trade “B shares” (small quantity of stocks designated for foreign investors) via shared commissions and underwrite international offerings of equity and debt.

- **Licenses**

China has agreed to no non-prudential restrictions on license issuance (i.e., on scope of activities or economic needs tests), to allow internal branching and to provide national treatment for all newly permitted activities. Foreign investors in banks, depending on the type of institution being established, may be required to exceed certain asset thresholds.

- **Scope of Commitments**

Banking

- Local currency banking will be allowed starting with foreign clients on accession, followed by Chinese enterprises in 2002 and Chinese individuals in 2005.
- Foreign currency business will be allowed without geographic restrictions on accession.
- Legal form of choice for banks 5 years after accession.
- Financial leasing will be allowed for foreign-owned banks when allowed for domestic.

Auto Finance

- Both wholesale and retail auto-financing for non-banks without geographic or client limitations, upon accession. (Regulatory framework to be developed)

Securities/Asset Management

- Deal directly in B shares (without Chinese intermediary) upon accession.
- Eligible for “special” membership in all exchanges upon accession.
- Manage assets as minority foreign JV (one-third equity share cap upon accession, 49 percent by 3 years after accession).
- Establish securities operation as minority (<33.33%) foreign JV to underwrite A,

B, and H shares and corporate and government debt and trade all these securities except A shares by 3 years after accession (including new products).

- (Cross border) Trading in B shares (without Chinese intermediary) upon accession

Other Financial Services

- (Both cross border and via commercial presence) Provision of financial information, data processing and advisory services (such as portfolio research and corporate restructuring) on accession.

- **Equity Restrictions**

- Foreign investors may establish in legal form of choice without equity restrictions for banking, auto finance, information and advisory services.
- Asset management and securities operations are subject to equity limitations as listed above.

- **Geographic Restrictions**

None for auto finance, securities, asset management, information and advisory services.

Geographic restrictions for local currency banking will be lifted for four cities upon accession, for four additional cities each year thereafter, and totally removed five years after accession.

Industry Reactions

There has been little formal industry reaction to date. Privately the banks, auto finance firms and mutual funds have indicated strong support. Securities firms are more restrained (but will not criticize publicly), and emphasize the potential for further liberalization as a result of the bilateral dialogue on capital market development (under the JEC) and through China's participation in the new multilateral round.

Summary of the telecommunications services provisions of the U.S.-China draft agreement on terms for WTO accession:

China will progressively liberalize its telecommunications services market. The services market has been divided into three different categories of services. Each category has its own liberalization schedule consisting of three stages. The first stage opens the cities of Beijing, Guangzhou, and Shanghai to a foreign investment at a specific level. The second stage opens 14 additional cities to foreign investment and increases the permitted level of foreign investment. The third stage opens all of China to foreign investment and increases the permitted level of foreign investment yet again. A summary of the services and schedules is provided below.

For **value-added services** (electronic mail, voice mail, on line information and database retrieval, electronic data interchange, enhanced facsimile, code and protocol conversion, on-line information and data processing, including transaction processing) and **paging services**:

<u>Phase</u>	<u>Date of effect</u>	<u>Foreign investment limit</u>	<u>Applicable to the geographic areas of:</u>
1	Upon accession	30 percent	Beijing, Shanghai, and Guangzhou
2	January 1, 2001	49 percent	Above plus 14 additional cities*
3	January 1, 2002	50 percent	All of China

For **mobile voice and data services** (analogue and digital cellular services, personal communications services):

<u>Phase</u>	<u>Date of effect</u>	<u>Foreign investment limit</u>	<u>Applicable to the geographic areas of:</u>
1	January 1, 2001	25 percent	Beijing, Shanghai and Guangzhou
2	January 1, 2003	35 percent	Above plus 14 additional cities*
3	January 1, 2005	49 percent	All of China

For **domestic basic services** (voice services, packet switched data transmission services, circuit switched data transmission services, and facsimile services) and **international basic services** (voice services, packet switched data services, circuit switched data services, facsimile services, and international closed user group voice and data services):

<u>Phase</u>	<u>Date of effect</u>	<u>Foreign investment limit</u>	<u>Applicable to the geographic areas of:</u>
1	January 1, 2003	25 percent	Beijing, Shanghai, and Guangzhou
2	January 1, 2005	35 percent	Above plus 14 additional cities*

- | | | | |
|---|---|------------|--------------|
| 3 | January 1, 2006 | 49 percent | All of China |
| * | Chengdu, Chongqing, Dalian, Fuzhou, Hangzhou, Nanjing, Ningbo, Qingdao, Shenyang, Shenzhen, Xiamen, Xian, Taiyuan and Wuhan | | |

China agrees to undertake the pro-competitive regulatory obligations contained in the Reference Paper of the WTO Agreement on Basic Telecommunications Services.

The draft accession agreement includes the following footnotes:

1. China's commitments are scheduled in accordance with the consensus of the parties to the WTO Agreement on Basic Telecommunications Services that services may be offered on a facilities or resale basis and via any technology (technology neutral).
2. All international telecommunications services shall go through gateways established with the approval of China's telecommunications authorities, which will act as an independent regulatory authority in accordance with the principles of paragraph 5 of the Reference Paper.
3. Further liberalization of this sector, including with respect to the foreign equity participation permitted, will be discussed in the services negotiations during the round of trade talks initiated in Seattle.

Prepared by: JHenry/ITA/TD/TAI/OT/11-29-99
C:\files\chinawtosumry

TAIWAN'S ACCESSION

Question: How will the recent progress on China's WTO accession affect the Taiwan accession? Are they linked? Will the Administration push for Taiwan to get in at the Seattle Ministerial?

Answer: First, we believe that both Taiwan and China should be in the WTO and we strongly support both accessions. We have consistently stated that each accession should be judged on its merits and addressed when each is ready.

The Taiwan accession process is more advanced than China's. WTO members are in the final stages of verifying Taiwan's market access schedules for tariffs and services.

That said, I believe that progress on China's accession negotiations could have a positive effect on the Taiwan effort. We will be working with both accession candidates to complete the process as soon as possible.

China and The World						
ods and Serv						
Total Deficit - Goods and Services						
\$ billions						
	1993	1994	1995	1996	1997	1998
China	-22.2	-29.0	-32.9	-38.2	-48.3	-55.3
World	-52.9	-82.8	-82.6	-83.2	-88.6	-147.1
Total Exports - Goods and Services						
	1993	1994	1995	1996	1997	1998
China	10.7	11.3	14.3	15.2	16.4	18.2
World	650.1	712.3	802.3	862.8	948.0	945.8
Total Imports - Goods and Services						
	1993	1994	1995	1996	1997	1998
China	32.8	40.3	47.2	53.4	64.8	73.5
World	703.0	795.2	884.9	946.1	1,036.6	1,092.9

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